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July 24, 2008

Catherine P. Awakuni
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Re: Docket No. 2008-0115 – In Re. Molokai Public Utilities, Inc., Wai'ola O Moloka'i, Inc.,
and MOSCO, Inc. for Temporary Rate Relief

Dear Parties:

For your information and review, enclosed please find copies of public comments and correspondence received by the commission in the above-referenced docket. Also enclosed are copies of the sign-up sheet and written testimony received by the commission at the public hearing held on July 15, 2008.

If you have any questions, please do not hesitate to contact me at 586-2019.

Sincerely,

A handwritten signature in cursive script, reading "Kaiulani Kidani Shinsato".

Kaiulani Kidani Shinsato
Commission Counsel

KKS:ps

Enclosures

PUBLIC HEARING SIGN-UP SHEET

DATE/TIME: July 15, 2008 @ 10:00 AM

STAFF: CC, JC, LHK, KKS, SI, BGK

CITY/ISLAND: Maunaloa, Molokai, HI

PLACE/ADDRESS: Maunaloa Elementary School Cafeteria, 128 Maunaloa Road

DKT.NO./APPLICANT: Dkt. No. 2008-0115, PUC

SUBJECT: In the Matter of Molokai Public Utilities, Inc., Wai'ola O Moloka'i, Inc., and MOSCO, Inc. for Temporary Rate Relief

(PLEASE PRINT)

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July 18, 2008

To: Carlito P. Caliboso, Chairman
John E. Cole, Commissioner
Leslie H. Condo, Commissioner
Kaiulani Kidani Shinsato, Commission Counsel

Public Utilities Commission
465 South King Street #103
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PUBLIC UTILITIES
COMMISSION

2008 JUL 22 P 12:18

FILED

From: Carl Freedman

Re: Docket 2008-0115 In Re: Moloka'i Public Utilities, Inc., Wai'ola O Moloka'i, Inc
and MOSCO, Inc for Temporary Rate Relief

PUBLIC TESTIMONY

The following comments and enclosed maps are public testimony as invited at the July 15, 2008 public hearing in this matter.

Enclosed in electronic PDF format are a map and a hydraulic chart that may be helpful to the Commission and staff to understand the layout and interconnection of Moloka'i's water utility systems. Duplicate CD's are provided. Each CD has two files which are the two maps described below. Both maps are in the public domain.

The file "molokai_water_supply_systems.pdf" is a map by the State of Hawaii, Department of Land and Natural Resources, Commission on Water Resource Management. This map shows the principal developed water sources and transmission lines in central Moloka'i identified by water system owner.

The file "Exhibit 7.pdf" is a hydraulic chart that shows the water sources and transmission connections for the Moloka'i water systems identified by water system owner. This chart is an exhibit to the Hawaii Department of Homelands Water Master Plan Study, June 2007, prepared by Akinaka & Associates, LTD. This chart is to scale vertically showing elevation of source and storage components of the water systems but it is not to scale horizontally.

The map and chart are offered for the convenience of the Commission to understand the location and relationship of the water system components. I would note that there may be

some inconsistencies or inaccuracies in the chart and map regarding specific system connections and ownership of some specific system components. The utility schedules of utility plant on file with the Commission should be considered better sources of documentation of system component ownership.

Please note that neither the chart nor the map differentiate between the Wai'ola O Moloka'i system and the Wai Mau "mountain system". The Wai Mau system is owned by the Wai Mau Corporation which is owned by Moloka'i Ranch and does not belong to either of the regulated water utilities. This system is the principal source of water for the major water purchases included in the regulated utility expenses. The Wai Mau mountain system includes the Kawela intakes and the reservoirs and transmission line between the intakes and Pu'u Nana where the Wai'ola water treatment plant is located.

If I can be of further assistance in this matter please let me know.

Respectfully submitted,

CARL FREEDMAN

Carl Freedman

COMMISSION ON WATER RESOURCE MANAGEMENT

STATE OF HAWAII

In the Matter of the)
Contested Case Hearing on the)
Water Use Permit Application)
Filed by Kukui (Molokai), Inc.)
_____)

Case No. CCH-MO97-1

**FINDINGS OF FACT,
CONCLUSIONS OF LAW, AND
DECISION AND ORDER**

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Key to Abbreviations

Abbreviation	Description
1.11 1/9	the decimal value of 1/9 is 0.111.. <i>(ad infinitum)</i> , thus this number is 1.111.. <i>(ad infinitum)</i>
12-MAV	12-month moving average, an average of the immediately preceding 12 months' pumpage
AG	Attorney General
CCH	Contested Case Hearing
COL	Conclusion of Law
CWRM	Commission on Water Resource Management, Commission
DOA	Department of Agriculture
DOH	Department of Health
DHHL	Department of Hawaiian Home Lands
Etc	et cetera (L): "and so forth"
Ex. or Exh.	official exhibit
FOF	Finding of Fact
Gpd	gallons per day
gd/ac	gallons per day per acre
HHCA	Hawaiian Homes Commission Act of 1920, as amended
HRS or Haw. Rev. Stat.	Hawaii Revised Statutes
KMI	Kukui (Moloka'i), Inc., owner of Kaluako'i Resort
OHA	Office of Hawaiian Affairs
USGS	United States Geological Survey (Water Resources Division, Pacific District)
Mgd	million gallons per day
mg/l	milligrams per liter (a chloride measure), equivalent to parts per million
MIS	Moloka'i Irrigation System
MPUI	Moloka'i Public Utilities, Inc., wholly owned by KMI
Tr	Transcript
WUP	Water Use Permit

Key to Well Numbers and Names

Well No.	Well Name	Owner/Lessee	Remarks
	Kualapu'u Aq. Sys.		
0801-01	Kauluwai #1	DHHL	primary potable source
0801-02	Kauluwai #2	DHHL	primary potable source
0801-03	Kualapu'u Mauka	Maui DWS	primary potable source
0901-01	Kalualohe, "Well 17"	Kukui (Mol), Inc	primary potable source
0901-03	Kualapu'u-Mol Ranch	Moloka'i Ranch	construction permit expired, not drilled
0902-01	Kualapu'u-Del Monte	Moloka'i Ranch	unused (brackish)
	Waikolu Aq. Sys.		
0855-01	"Well 22"	Dept of Ag (MIS)	dike well in MIS tunnel compensatory source
0855-02	"Well 23"	Dept of Ag (MIS)	dike well for MIS compensatory source
0855-03	"Well 24"	Dept of Ag (MIS)	dike well for MIS compensatory source
	Kaluakoi Aq. Sys.		
0915-01	Papohaku Beach	Kaluako'i	brackish, unused
1011-01	Kakaako Gulch	Kaluako'i	brackish, unused
1014-01	Papohaku Gulch 2	Kaluako'i	brackish, unused
1114-01	Kakaako Gulch 3	Kaluako'i	brackish, unused
1114-02	Pohakumauliuli 4	Kaluako'i	brackish, unused

I. INTRODUCTION

This contested case hearing, brought by Kukui (Moloka'i), Inc. ("KMI"), involves the issuance of a permit to withdraw water from Well #17 (Well No. 0901-01) for use at the Kaluako'i Resort (and its various properties) and Kualapu'u Town. Intervenor status was requested and granted to Judy Caparida and Georgina Kuahuia, the Department of Hawaiian Home Lands (DHHL), Sarah Sykes, and the Office of Hawaiian Affairs (OHA). A hearing was held to quantify how much water, if any, should be permitted based on §174C-50(b) (existing uses) and §174C-49(a) (proposed uses) and to make determinations on other issues raised by the parties.

II. BACKGROUND / CHRONOLOGY

- | | |
|-------------------|---|
| July 15, 1992 | Effective date of designation of Moloka'i as a Water Management Area, requiring all users to apply, within one year, for water use permits for uses existing as of the designation date. Once these "existing legal uses" were recognized, as required by the Water Code, consideration of "proposed uses" (since July 1992) was to follow. |
| March 1993 | Application received from Moloka'i Irrigation System (MIS) and Moloka'i Ranch (then landowner) for 10% of pumpage from Well #17, the amount agreed by contract as that portion of total pumpage entering the MIS to be subtracted for system loss in the transport of Well #17 water to Mahana for use at the Kaluako'i Resort.

Inquiries into the balance of the use of Well #17 uncovered the legal ownership difficulty for KMI in filing for the water use permit. |
| June 8, 1993 | The water use permit application for the use of Well #17 was accepted by Commission staff as timely for the July 15 deadline, but considered incomplete pending further information coming from Kaluako'i. |
| October 1993 | The well site was transferred from Moloka'i Ranch to KMI. |
| December 15, 1993 | Kukui (Moloka'i), Inc. submitted an amended application for 2.0 mgd for existing and projected demands that was accepted but deemed incomplete, as it was unable to fully account for the requested amount. |

- April 14, 1994 At a regular Commission meeting, staff recommended approval of 1.275 mgd "existing use". Matthew Adolpho, Jr. requested a contested case hearing on this matter. The Commission deferred action pending determination of Mr. Adolpho's standing. Mr. Adolpho filed his written request for a contested case hearing in a timely manner.
- September 15, 1994 The Commission denied standing to Matthew Adolpho, Jr. The Attorney General opined that the opportunity to request a contested case hearing does not extend to a meeting rescheduled solely for the purpose of determining standing on the first request. Staff amended its recommendation for approval of the reduced amount of 1.183 mgd "existing use" due to better information. New requests for a contested case hearing were made orally, and action was again deferred.
- Throughout this period, efforts were made to clarify information provided by the applicant as to what uses were in existence as of July 15, 1992.
- March 14, 1995 At a regular Commission meeting, staff amended its recommendation to approval of the reduced amount of 0.871 mgd "existing use" due to better information. The Commission approved the issuance of an interim water use permit for reasonable-beneficial uses existing as of July 15, 1992 totalling 871,420 gallons per day (gpd). Consistent with the Commission's past practice in processing permit requests in newly-designated water management areas, the Commission deferred action on KMI's application for proposed water uses pending the establishment of all existing uses in the aquifer as of July 15, 1992.
- Disagreement between applicant and staff concerning the basis for arriving at an estimate of "reasonable-beneficial use" resulted in the Commission suspending enforcement of pumpage above the approved water use permit. The applicant was required to provide, within six months, calculations to support its request, information on non-potable alternatives for irrigation, and identification of means to eliminate or reduce wastage of filter backwash water.
- April 6, 1995 KMI submitted a Motion for Reconsideration of the Commission's March 14, 1995 decision on existing uses.

- June 14, 1995 The Commission denied KMI's Motion to Reconsider and reaffirmed their decision of March 14, 1995 on the water use permit for existing uses Well #17.
- June 22, 1995 In compliance with Special Condition 2b of their approved water use permit for Well #17, KMI submitted monthly water meter readings for Moloka'i Public Utilities, Inc. (MPU) for the period July 1991 through June 1992 to support their request for an increased existing use allocation. The applicant was requested to provide additional information on the previous unclaimed uses and an explanation for the high usage at some of the Papohaku Ranchland Lots.
- July 13, 1995 KMI filed an appeal in Second Circuit Court, challenging the Commission's March 14, 1995 approval of a water use permit for existing uses totalling 0.871 mgd and its June 14, 1995 denial of a Motion to Reconsider. On August 21, 1995, the Commission received notification that KMI had filed a similar appeal with the Hawaii Supreme Court. The Supreme Court dismissed the appeal on September 6, 1995 for lack of appellate jurisdiction. The Court found that an "existing use" permit was not a final appealable decision.
- The appeal in the Second Circuit Court was dismissed without prejudice on October 27, 1995.
- August 30, 1995 In light of the MPU metered information and pursuant to the Commission's informational special condition under the suspension of enforcement, and in the further interest of establishing a clearer distinction between "existing" and "proposed" uses, CWRM requested additional information regarding previously unclaimed existing metered uses.
- September 15, 1995 Commission staff conducted a preliminary field investigation, reporting a fourth unmetered existing water use for golf course irrigation from the effluent mixing pond. A site visit to the Papohaku Ranchlands subdivision identified 39 of 324 lots in use. Commission staff requested that KMI amend its application for Well #17 to include the three metered existing uses and four unmetered existing uses of the well not previously claimed on the application.

- September 18, 1995 The Commission received a letter from D. Scott MacKinnon, attorney for KMI, providing information in a timely response to conditions of the interim water use permit. A second letter dated September 21, 1995 provided still further information, reiterated KMI's position that Commission staff had failed to adequately account for particular claimed uses, and acknowledged three unmetered uses of the well existing as of July 15, 1992.
- October 20, 1995 At a regular Commission meeting, staff recommended, based on new information, amendment of the interim water use permit for existing uses to 1.046 mgd. Sheila Polena Awai requested a contested case hearing on the amendment and followed the verbal request with a written request as required.
- December 29, 1995 The Commission received a letter from KMI attorney MacKinnon providing updated information concerning uses by Moloka'i Ranch from unmetered interconnections with the MPU system, the subsequent closing of certain connections and metering of others, notice of the completion of a pipeline routing all filter backwash to the golf course effluent pond, and an updated schedule of water uses for the period beginning June 1992.
- May 21, 1996 Following a hearing to determine standing the Commission denied Ms. Awai's standing to request a contested case hearing and rejected staff's recommendation to amend the interim permit for existing uses. The Commission's action reaffirmed the existing use amount of 0.871 mgd, set three conditions relating to the MPU system structure, including additional metering, and invited KMI to return with a request for "proposed uses" (since July 1992) for any additional allocations.
- Following this decision but before the close of the CWRM meeting, D. Scott MacKinnon requested a contested case hearing on the decision and later submitted a written request as required.
- June 5, 1996 Staff recommended that the Commission deny standing for a contested case hearing as untimely. The Commission deferred action for a legal opinion as to whether the request was timely, and whether an applicant could request a contested case hearing.

April 1, 1997	The Attorney General responded to the Commission's request for legal opinion on KMI's standing to request a contested case hearing, stating that a contested case hearing is required.
April 16, 1997	At a regular Commission meeting, the Commission recognized KMI's standing to request a contested case, directed staff to initiate a contested case proceeding on this application, and delegated to the Chairperson the authority to appoint a hearing officer. The process included publishing a notice identifying a deadline for filing written petitions to intervene.
April 24, 1997	Chairperson Michael D. Wilson appointed Peter Adler as hearing officer. On May 20, 1997, the Commission found no conflict of interest, as alleged by contesting parties, and confirmed Adler's appointment.
April 30, 1997	A public notice of a contested case hearing was published in the Honolulu <u>Advertiser</u> and the Moloka'i <u>Advertiser-News</u> , announcing a May 30, 1997 deadline to apply to be intervening parties. Next day, May 1, the announcement was published in the Moloka'i <u>Dispatch</u> .
June 3, 1998	Hearing Officer Adler held a hearing at the Civic Center on Moloka'i to determine standing to intervene in the contested case hearing.
June 24, 1998	Prehearing conference #1 identified protocols for motions, subpoenas, and evidence, a schedule for preliminary motions, opening briefs and responsive briefs, and opening arguments.
June 26, 1998	Minute Order Number 2 (Attachment A) confirmed attorneys representing parties and the prehearing motion schedule, identified the issues to be addressed in the case, and confirmed the burden of proof for meeting the requirements of the Water Use Permit on the applicant (Kukui (Moloka'i), Inc.).
September 16, 1998	Hearing Officer Adler issued Order Number 1 (Attachment B), admitting Kukui (Moloka'i), Inc., the Department of Hawaiian Home Lands, individuals Judy Caparida, Georgina Kuahuia, and Sarah Sykes, and via an August 26, 1998 Commission reconsideration of its July 15, 1998 denial, approval of the late entry of the Office of Hawaiian Affairs.

- September 16, 1998 Order #2 ruled on seven motions brought by parties, concerning admission of testimony from another case, continuance pending county decision, applicability of statute and federal principle to this case, and summary denial of the water use permit.
- October 2, 1998 KMI's opening brief modified its original application by reducing its requested allocation to the amount of its metered 12-MAV withdrawal from Well #17 as of July 15, 1992, which KMI calculated as totaling 1.205 mgd.
- November 23, 1998 The Contested Case Hearing convened in the conference room of the Moloka'i Irrigation System office in Ho'olehua, Moloka'i. Testimony was presented over the course of eight days (Nov. 23 to 25, 30 and Dec. 1, 7 to 9, 1998) in Ho'olehua, and three days (Dec. 2, 11, 15, 1998) in Honolulu at the Kalanimoku Building. Closing arguments were heard in Honolulu on December 31, 1998.
- January 26, 1999 Minute Order #9 set a February 26, 1999 deadline for proposed Findings of Fact, Conclusions of Law, and Decision and Order.
- February 22, 1999 Minute Order #10 granted a request from Alan Murakami (Caparida, Kuahuia), with agreement from the other parties, to have the deadline extended from February 26, 1999 to March 12, 1999.
- May 15, 2000 By Minute Order #11, the Hearing Officer's Proposed Findings of Fact, Conclusions of Law, and Decision and Order was distributed to the parties. The deadline to file written exceptions to the Proposed Findings of Fact, Conclusions of Law, and Decision and Order was set for noon, Friday, June 30, 2000.
- June 26, 2000 Minute Order #12 granted Intervenors Judy Caparida, et al.'s request for an extension to submit written exceptions to July 31, 2000.
- September 25, 2001 Minute Order #13 set the date for the Commission to hear oral arguments on the written exceptions for 9:00 a.m., Wednesday, October 17, 2001, at the Department of Hawaiian Home Lands, Molokai District Office, Kalamaula, Molokai.
- October 15, 2001 Intervenors Sykes, Caparida, and Kuahuia, by facsimile, moved for: (1) a reopening of the record in this docket to receive recent

material information on the water uses being made by Applicant Kukui Molokai, Inc.; and (2) a continuance of the October 17, 2001 hearing until this information can be incorporated by the parties in their arguments for the Commission's consideration of the new data. The Chairperson and presiding officer, Gilbert Coloma-Agaran, scheduled the motion as a non-hearing motion and provided the parties the following schedule:

1. Memorandum in Opposition must be filed and served no later than Tuesday, October 23, 2001.
2. Response to Memorandum in Opposition must be filed and served no later than Friday, October 26, 2001.

October 17, 2001	Chairperson Gilbert Coloma-Agaran, and commissioners Robert Girald, Brian Nishida, and Herbert M. Richards, Jr. heard oral arguments on the written exceptions to the Hearing Officer's <i>Proposed Findings of Fact, Conclusions of Law, and Decision and Order</i> at Kalamaula, Molokai. Joel D. Kam represented KMI, Alan Murakami represented Intervenors Caparida and Kuahuia, Clayton Lee Crowell represented the Department of Hawaiian Home Lands, and Jon Van Dyke represented the Office of Hawaiian Affairs.
October 23, 2001	KMI filed a Memorandum in Opposition to the October 15, 2001 motion.
October 26, 2001	Based on Alan Murakami's phone call representing that KMI had no objection to his request for an extension, the deadline to file responses to the Memorandum in Opposition was extended to October 30, 2001.
October 30, 2001	Intervenors Caparida and Kuahuia filed responses to KMI's Memorandum in Opposition.
November 2, 2001	Intervenor Sykes filed a further memorandum in support of her motion.

III. ISSUES

Minute Order Number 2 ("MO#2") issued on June 26, 1998, set forth the rules of the hearing, established preliminary deadlines agreeable to the parties, and limited the parties to the following issues:

- A. Do the existing and proposed uses of water meet the criteria for the issuance of a water use permit as provided in the Haw. Rev. Stat. §§ 174C-49(a) and 174C-50(b)?
- B. Are the existing and proposed uses reasonable-beneficial uses as defined in Haw. Rev. Stat. § 174C-3, and allowable under the common law of the State? Haw. Rev. Stat. § 174C-3 provides: ""Reasonable-beneficial" use means the use of water in such a quantity as is necessary for economic and efficient utilization, for a purpose, and in a manner which is both reasonable and consistent with the state and county land use plans and the public interest."
- C. Are the existing and proposed uses consistent with the public interest, including but not limited to, the statement of policy objectives declared to be in the public interest as set forth in Haw. Rev. Stat. § 174C-2(c). Without limiting any other factual public interest issues that the parties deem relevant at the time, the parties shall address the quantified effect, if any, of the well pumping of ground water on stream flow and nearshore ocean resources.
- D. Are the existing and proposed uses allowable under the common law of the State. Without limiting any other relevant factual issues that could be present hereunder, the parties shall address whether any party has any appurtenant or riparian right under Haw. Rev. Stat. § 174C-101, or any other right to water that is equal to or has priority over the existing and proposed uses of water by Applicants. The parties shall quantify the amount of water they are claiming.
- E. In the event the above-referenced water use application is not denied, the conditions, if any, that should be imposed on the Applicants' water use permit for -the existing and proposed water uses.

MO#2 was the result of Prehearing Conference #1 held on June 24, 1998 at the Department of the Attorney General Conference Room, Kekuanaoa Building, 465 South King Street, Third Floor, Honolulu, Hawaii.

IV. FINDINGS OF FACT

Appendix A, found at the end of Section IV on page 36, lists the Commission's rulings on proposed findings of fact submitted by the parties and indicates whether they are accepted or rejected. Where findings of fact are based on party-submitted proposed findings, identification of the parties' facts are noted in brackets and in standard type. Modifications made by the Commission for clarification and accuracy are in Ramseyer Format. Deletions are in brackets and additions are underlined and both additions and deletions are in bold type for easier identification.

A. Major Findings

1. The existing and proposed uses of water by Kukui Moloka'i, Inc. shown in Exhibit 1, for a total of 1,018,000 gpd, meet the criteria for the issuance of a water use permit as provided in the Haw. Rev. Stat. §174C-49(a) and §174C-50(b). 936,000 gpd meets the criteria for the issuance of a water use permit for existing uses under Haw. Rev. Stat. §174C-50(b). 82,000 gpd meets the criteria for the issuance of a water use permit for proposed uses under Haw. Rev. Stat. § 174C-49(a).
2. The existing and proposed uses of the amounts of water shown in Exhibit 1 are reasonable-beneficial uses as defined in Haw. Rev. Stat. § 174C-3. These amounts are consonant with the economic and efficient utilization of the waters pumped from Well #17 and will be used in a manner that is reasonable and consistent with the public interest and state and county land use plans.
3. The existing and proposed uses shown in Exhibit 1 are not inconsistent with the public interest or with those policy objectives declared to be in the public interest as set forth in Haw. Rev. Stat. §174C-2(c). The use of these specific amounts of water from Well #17 are for domestic, irrigation, and commercial uses. Withdrawal of these waters in the amount shown do not interfere with traditional and customary Hawaiian rights, the protection and procreation of fish and wildlife, the maintenance of proper ecological balances and scenic beauty, and the preservation and enhancement of the waters of the State for the objectives specified in §174C-2(c).
4. The existing uses quantified in Exhibit 1 are allowable under the common law of the State.

B. Sustainable Yield of the Kualapu'u Aquifer System

5. Molokai is one of eight major Hawaiian Islands. [Sykes FOF 1]
6. On July 15, 1992, Molokai was designated as a water management area. (Ex. A-15, p. 3). [DHHL/OHA FOF 4]
7. Sustainable yield equals $D = I \times \{1 - (h_e / h_o)^2\}$. Where: D = draft or sustainable yield (mgd), I = infiltration (mgd), h_e = equilibrium head (feet), h_o = original head of the first drilled well in the aquifer (feet). Using this

equation, the sustainable yield of Kualapuu is 5.0 mgd ($9.7 \text{ mgd} \times \{1 - (7.4 \text{ ft} / 10.5 \text{ ft})^2\} = 5.0 \text{ mgd}$). (Ex. D-8; Ex. D-9). [DHHL/OHA FOF 186]

8. The theoretical equilibrium head [of] across the Kualapuu Aquifer at the sustainable yield of 5 mgd is 7.4 feet above mean sea level. (Ex. D-8; Ex. D-9; Meyer, Tr. 12/7/98, 207:13-25 to 209:1-23). [DHHL/OHA FOF 187]
9. [The] Current pumpage in Kualapuu is about 2.26 mgd. At the current rate of pumping, the water level at equilibrium is predicted to fall from 11 feet to about 8 feet if the distribution and rates of pumpage that existed from 1992-96 continue unchanged. (Exh. D-1, Table 3, p. 33; Meyer, D-T-3, 2:12-17; Meyer, Tr. 12/7/98, 211:1-15; Oki, D-T-2, 4:1-3; Oki, Tr. 12/7/98, 143:7-10). [DHHL/OHA FOF 188]
10. USGS model shows that increasing pumpage (2.26 mgd plus 0.8 mgd equals 3.06 mgd) will cause water levels to decline to about 7 feet at the well site. USGS model results show that 3.06 mgd cannot be developed from existing infrastructure if the equilibrium head is to be maintained at 7.4 feet. (Ex. D-9; Meyer, Tr. 12/7/98, 207:13-25 to 209:1-23). It is [questionable] uncertain if an 8 foot water level will allow existing pumpage to continue without saltwater intrusion of the wells; a 7 foot water level simply increases the potential for failure. (Meyer, D-T-3, 4:13-18). [DHHL/OHA FOF 190]
11. As of September, 1997, the 3 major water users in the Kualapu'u aquifer with approved water use permits from the CWRM were all pumping beyond their allocations by 322,000 gpd Exh. A-49:

<u>User</u>	<u>Well No.</u>	<u>Permitted use</u> <u>(mgd)</u>	<u>12-month</u> <u>MAV (mgd)</u>	<u>Difference</u>
DHHL	08001-01 and 0801-02	0.367	0.471	-0.104
Maui DWS	0801-03	0.516	0.543	-0.027
KMI	0901-01	0.871	1.062	-0.191
Totals		1.754	2.076	-0.332

[Caparida/Kuahuia FOF 211]

12. If the 2.905 mgd DHHL water reservation is [included with] added to the [existing] uses permitted thus far, the total commitment for Kualapu'u is

4.695 mgd, or 0.305 mgd less than the 5.0 mgd sustainable yield. Exh. A-50 (Exh. 2). [Caparida/Kuahuia FOF 212]

C. Permit Application Process

13. Molokai Public Utilities, Inc. ("MPUI"), a wholly-owned subsidiary of KMI and a licensed public utility, operates the KMI water system. See Neeley Witness Statement, p.1; Neeley Testimony, Vol. I, p.140. [KMI FOF H.3]
14. The KMI well site (TMK 5-2-12:29) consists of no more than 3 acres. Neely, TR 11/23/98 at 118:16-23. [Caparida/Kuahuia FOF 88]
15. On June 8, 1993, the Molokai Irrigation System and Molokai Ranch as landowner of the Well #17 site submitted an initial application for a water use permit on behalf of the users of the water to continue the existing use of Well #17 (Well No. 0901-01).
16. Kukui (Molokai), Inc. acquired ownership of the well site occupied by the Kalualohe Well ("Well #17", Well No. 0901-01) on October 19, 1993 (recorded at a later date).
17. On December 15, 1993, an amended water use permit application was received from KMI and accepted as complete.
18. Due to difficulties in reconciling KMI's reported actual use figures and what it learned from water pump meter readings and field investigations, the CWRM staff evaluating the existing use of Kukui could not accurately determine the actual amounts of water being used at the various points of usage, as of July 15, 1992, the date of designation of Moloka'i as a water management area. Exh. A-21. [Caparida/Kuahuia FOF 25]
19. Prior to the initial hearing on KMI's application in April 1994, KMI submitted the following information which supplemented KMI's application within the meaning of the Declaratory Ruling Re: WUP Application Processing:
 - a. The number of homes built, the number of lots sold, and the total number of lots for each of the three residential subdivisions as of April 4, 1994. See Ex. A-4, p.2.
 - b. The acreage of the Kaluakoi Hotel and the condominium complexes. See Ex. A-5.

- c. Estimates of water usage at the Hotel and the condominium complexes assuming full occupancy, and a revised estimate of water usage for the residential subdivisions. See Ex. A-4, pp.2-3. [KMI FOF B.5]
20. On April 14, 1994, the CWRM staff recommended that an interim existing use permit be granted under certain conditions, the CWRM defer action on 240,200 gpd of "observed usage" for 90 days subject to conditions that KMI conserve water and more carefully justify an existing use allocation above 918,100 gpd, and all uses above an interim existing use of 928,000 gpd be deferred. Exhs. A-7, A-8 at 3.
21. [However,] Because of the filing of a request for a contested case hearing by [a] Hawaiian homesteader Mathew Adolpho on the application, the CWRM, on April 14, 1994, deferred action on the application to ascertain whether to grant the request. Exh. A-8 at 4. [Caparida/Kuahuia FOF 29]
22. At [that] the September 15, 1994, meeting, the CWRM denied Mr. Adolpho standing to participate in a contested case hearing. Exh. A-11 at 3. [Caparida/Kuahuia FOF 32]
23. On September 15, 1994, the CWRM staff revised its recommended [an] interim existing use permit of 1.183 mgd based on additional information provided by KMI and changed assumptions of an allowable use per residential unit in the resort subdivision of 1,950 gpd/unit, again subject to various conditions to conserve water. Exh. A-10 at 5. [Caparida/Kuahuia FOF 31]
24. KMI's application [next] came for hearing before the Water Commission on March 14, 1995, at which time the Water Commission acted on KMI's application by voting to adopt the recommendation of the staff to, *inter alia*, issue an interim water use permit for 871,420 gpd. See Ex. A-15, pp.3-5; Ex. A-16, Item 9. [KMI FOF B.11]
25. The allocation of 871,420 gpd recommended in the March 14, 1995 staff submittal was based [, as it was in the December 8, 1994 staff submittal,] on the following estimates of usage:

<u>Property</u>	<u>Gallons Per Day</u>	
Hotel	100,000	(see Ex. A-15, p.3)
Condominiums	193,200	(see Ex. A-15, p.3)

[345 units x 560 gpd]

Golf Course	475,600	(see Ex. A-15, p.4)
	[118.9 irrigated acres x 4000 gpd]	
Subdivisions	23,400	(see Ex. A-15, p.3)
	[39 units x 600 gpd]	
<u>Subtotal</u>	<u>792,200</u>	(see Ex. A-15, p.5)
MIS	79,220	(see Ex. A-15, p.5)
<u>Total</u>	<u>871,420</u>	(see Ex. A-15, p.3)
[KMI FOF B.12]		

26. On March 30, 1995, the Water Commission [issued] posted its [written decision and order] notice of action to, *inter alia*, grant an interim water use permit to KMI for 871,420 gallons per day (the "March [30] 14, 1995 Decision").
- a. The March [30] 14, 1995 Decision included provisions which suspended enforcement of the interim water use permit for six (6) months to allow KMI to submit additional information in support of its water use calculations and determine whether an adjustment in the water allocation was appropriate prior to enforcement of the March [30] 14, 1995 Decision. See Ex. A-17, p.2, ¶¶2.a., 2.b., 2.c.
- b. The March [30] 14, 1995 Decision stated that KMI "will have the burden of proof to show within six (6) months reasonable-beneficial existing use calculations that support the applicant's request as opposed to staff's calculations." See Ex. A-17, p.2, ¶2.b. [KMI FOF B.13]
27. KMI filed a motion for reconsideration of the March [30] 14, 1995 Decision with the Water Commission, and also appealed the March [30] 14, 1995 Decision to the Hawaii Supreme Court and the Second Circuit Court.
- a. On April 6, 1995, KMI filed a timely motion for reconsideration of the March [30] 14, 1995 Decision, which was denied on June 14, 1995. See Ex. A-32, p.2.

- b. KMI thereafter filed a timely appeal of the March [30] 14, 1995 Decision to the Hawaii Supreme Court and also to the Circuit Court of the Second Circuit. See Ex. A-32, p.2.
- c. The Hawaii Supreme Court dismissed the Supreme Court Appeal for lack of appellate jurisdiction because in its view the March [30] 14, 1995 Decision was not final. See Ex. A-32, p.2. Specifically, the Hawaii Supreme Court found that "the decision allocating water for existing uses is not final until the Commission determines whether or not the allocation should be adjusted in light of further quantitative evidence that Appellant may provide the Commission within six months of the decision." The Hawaii Supreme Court did not reach the merits of KMI's application or the March [30] 14, 1995 Decision. See Order of Dismissal, dated September 6, 1995.
- d. The Second Circuit Appeal was later dismissed without prejudice as a result of the Hawaii Supreme Court dismissal. The Second Circuit Court did not reach the merits of KMI's application or the March [30] 14, 1995 Decision. See Stipulation for Dismissal of Appeal without Prejudice as to All Parties and Claims, dated October 27, 1995.

[The pleadings relating to the motion for reconsideration, the Hawaii Supreme Court appeal, and the Second Circuit Court appeal are on file at the Water Commission and are part of the record in this case. See Minute Order Number 2, dated June 26, 1998, ¶A.11.] [KMI FOF B.14]

- 28. KMI's application next came before the Water Commission on October 20, 1995, but no action was taken thereon. [and the] As a consequence of the March 14 requirement for more information, staff recommended that the interim water use permit for Well 17 be amended to increase the water allocation to 1.046 mgd. The matter was deferred and continued due to a request for a contested case hearing on behalf of Ms. Sheila P. Awai. See Ex. A-30, Item 4, p.7. [The October 20, 1995 Water Commission amended staff submittal recommended, *inter alia*, that the interim water use permit for Well 17 be amended to increase the water allocation to 1.046 mgd. See Ex. A-30, Item 4, pp.5-6.] [KMI FOF B.17]
- 29. On May 21, 1996, following a finding that Sheila Awai did not have standing to request a contested case hearing, the Water Commission

took up the deferred **[and continued]** matter of KMI's Resubmittal Response and the staff recommendation thereon. Upon the conclusion of the public testimony the Water Commission voted to reject the staff recommendation to increase the daily water allocation to 1.045 mgd (see Ex. A-32, p.4 & Recapitulation of Attachment "A"), and instead voted to reaffirm the March 14, 1995 recommendation and to continue the interim water use permit at 871,420 gpd. **[No reasons were given by any of the Water Commission members as to why the Water Commission staff's recommendation was not followed.]** See Minutes for the Meeting of the Commission on Water Resource Management on May 21, 1996, a copy of which is on file at the Water Commission and is part of the record in this case pursuant to Minute Order Number 2, dated June 26, 1998, ¶A.11. **[KMI FOF B.19]**

30. Following the **[vote]** decision and prior to the close of the May 21, 1996 hearing, KMI made an oral request for a contested case hearing, and on May 31, 1996, timely filed a written request for a contested case hearing. A copy of KMI's request for a contested case hearing is on file at the Water Commission and is part of the record in this case. See Minute Order Number 2, dated June 26, 1998, ¶A.11. **[KMI FOF B.20]**
31. In its Opening Brief filed in this matter on October 2, 1998, KMI reduced its requested allocation from 2.0 mgd to the amount of its 12-month moving average of actual metered water usage as of July 15, 1992 (the effective date of designation of Molokai as a water management area under the State Water Code). See KMI's Opening Brief, pp.1-9. **[The position thus taken was a reasonable response to the concerns of the Water Commission regarding the proximity of wells in the Kualapuu aquifer, and as such was a gesture to "sort out problems" identified by the Water Commission in respect of the proximity of wells in the Kualapuu aquifer and in respect of the various applications pending before the Water Commission for the Kualapuu aquifer. See Ex. A-18, p.2 ("The very purpose of the review process is to fill in information and sort out problems.")]** **[KMI FOF B.21]**
32. By KMI's **[own]** admission, its water uses in 1991-92 **[include]** were the following :

Use	Metered?	Request -	Request in CCH
Kualapu'u town	yes	0	0.076
Hotel	yes	0.100	0.131
Condominiums	yes	0.175	0.091
Moana Makani	yes		0.003
Papohaku	yes	0.330	0.136

Molokai Fairways	yes		0.002
Beach Park	yes	0	0.026
Nursery	yes	0	0.018
Golf Course	yes*	0.600	0.379
Filter backwash	no	0	0.100
Molokai Ranch	no	0	0.049
10% to MIS	no	0	0.124
Subtotal		1.205	1.057
Difference	no	0	0.026
Svstem loss	no	0	0.084
Total		1.205	1.244

* While KMI meters the potable water used to irrigate the golf course, it does not meter the effluent and filter backwash releases that are added to the mixing pond, all of which is used to irrigate the front 6 holes of the golf course. Exh. A-10 at 3; Neeley, TR 11/23/98 at 105:20-25 to 115:1-21; Exhs. 34, 75; TR 11/24/98 at 70:16-25 to 74:1-20; at 182:12-17. [Caparida/Kuahua FOF 103]

D. KMI Water Transmission and Uses

33. Water pumped from Well 17 is metered near the well head. See Ex. A-36, p.31 (Nance 1998 Report); Ex. A-76 (not-to-scale depiction of location of meter (a)); Neeley Testimony, Vol. I, p.106; Neeley Witness Statement, p.2. [KMI FOF H.4]
34. After the meter near the well head, the water is delivered into two side-by-side 0.2 million gallon head tanks located just above Well 17. See Ex. A-36, ¶ VII.B.1. & p.31 (Nance 1998 Report); Ex. A-76 (not-to-scale depiction of head tanks); Ex. A-65 (photo of head tanks); Neeley Testimony, Vol. I, p.106. [KMI FOF H.5]
35. The first connection off of the KMI water system is a single connection which supplies water to Molokai Ranch for [further] supply to the Kualapuu community. This connection is metered. See Ex. A-36, ¶VII.B.4 & p.31 (Nance 1998 Report); Ex. A-76 (not-to-scale depiction of location of meter (b)); Shimizu Testimony, Vol. IX, p.67; Neeley Testimony, Vol. I, pp.105-06; Vol. VIII, p.35; Neeley Witness Statement, p.2. [KMI FOF H.6]
36. For the year ending June 30, 1992, the 12-month moving average of actual metered water supply by KMI to Molokai Ranch for further supply to the Kualapuu community was approximately 75,890 gpd. See Ex. A-28,

Attachment A; Ex. A-32, Recapitulation of Attachment "A". [KMI FOF J.1]

37. After the Molokai Ranch connection servicing the Kualapuu community, water pumped from Well 17 is **[pumped] flows** into a transmission line for the Molokai Irrigation System ("MIS"). The volume of water **[pumped] flowing** into the MIS from this line is metered. See Ex. A-36, ¶ VII.C.1.-2. & p.31 (Nance 1998 Report); Ex. A-76 (not-to-scale depiction of location of meter (c)); Shimizu Testimony, Vol. IX, pp.89-90; Neeley Testimony, Vol. I, p.107; Neeley Witness Statement, pp.2-3. [KMI FOF H.7]
38. While in the MIS, the water flows through the MIS system's open reservoir, and then through the MIS system's distribution pipe network across Hoolehua to Mahana. See Ex. A-36, ¶ VII.C.1 & p.31 (Nance 1998 Report). [KMI FOF H.8]
39. The State has agreed to permit KMI to withdraw the equivalent to KMI's input into the State system less 10% attributable to water system losses up to a withdrawal flow rate of 2 mgd. Ex. D-4.
40. To determine the amount of water that KMI is able to withdraw from the MIS under the terms of the MIS Agreement, the following formula may be used: $w = \{p - k\} - 0.1 * \{p - k\}$
where: p = amount of water pumped from Well 17 (metered)
 k = amount of water supplied to Kualapuu community (metered)
 w = amount of water withdrawn by KMI from MIS at Mahana (metered)
 $0.1 * \{p - k\} = 10\%$ contribution by MIS for system losses

See MIS Agreement, § 5.
[KMI FOF K.3]

41. To determine the amount of water which KMI is required to input into the MIS under the terms of the MIS Agreement, the following formula may be used: $p - k = w * 1.11 \frac{1}{9}$
where: p = amount of water pumped from Well 17 (metered)
 k = amount of water supplied to Kualapuu community (metered)
 w = amount of water withdrawn by KMI from MIS at Mahana (metered) See MIS Agreement, § 12.
[KMI FOF K.4]

42. The water is then [pumped out of] withdrawn from the MIS at Mahana by KMI. The volume of water withdrawn from the MIS at Mahana by KMI is also metered. See Ex. A-36, ¶VII.C.1.-2. & p.31 (Nance 1998 Report); Ex. A-76 (not-to-scale depiction of location of meter (d)); Shimizu Testimony, Vol. IX, pp.89-90; Neeley Testimony, Vol. I, p.107; Neeley Witness Statement, pp.2-3. [KMI FOF H.9]
43. After water is withdrawn from the MIS at Mahana, it is pumped to two open reservoirs at an elevation of 1400 feet at the top of Puu Nana. See Ex. A-36, ¶VII.D.2. & p.31 (Nance 1998 Report); Ex. A-76 (not-to-scale depiction of Puu Nana reservoirs); Neeley Testimony, Vol. I, p.107; Neeley Witness Statement, p.3. [KMI FOF H.10]
44. There is a connection between KMI's reservoirs at Puu Nana and a Molokai Ranch reservoir which had been used in the past to transfer water from the Molokai Ranch reservoir to the KMI reservoir. See Shimizu Testimony, Vol. IX, pp. 94-95; Nance Testimony, Vol. VII, p.56 (referring to purchase of water by KMI from Molokai Ranch for 18-month period between October 1986 and April 1988); Ex. A-36, figure 3 (same); Ex. A-78, p.3 (Nance 1988 Study). [KMI FOF H.11]
45. From the Puu Nana reservoirs, water flows by gravity through former pineapple irrigation lines to the main pressure breaker tank located beyond the Kaluakoi Resort entrance. See Ex. A-36, ¶¶ VII.D.1.-2., VII.E.1. & p.31 (Nance 1998 Report); Ex. A-76 (not-to-scale depiction of system beyond Puu Nana reservoirs); Neeley Witness Statement, p.3. [KMI FOF H.12]
46. Between the Puu Nana reservoirs and the main pressure breaker tank, there are several metered connections to Molokai Ranch properties off of KMI's main line, which as of October 1, 1998 are no longer being used. See Shimizu Testimony, Vol. IX, pp.62-68, 95-107; Ex. A-76 (not-to-scale depiction of connections to Molokai Ranch properties); Neeley Supplemental Witness Statement, p.1. [KMI FOF H.14]
47. As of October, 1998, Molokai Ranch no longer extracts water that was estimated to be 0.049 mgd from the KMI water system. Neeley, TR 11/24/98 at 78:19-25; at TR 11/24/98 at 1086-13. [Caparida/Kuahua FOF 144]

48. Just before the pressure breaker tank, there is a metered connection which supplies residential customers in the Moana Makani subdivision. See Ex. A-36, ¶VII.E.1.-2. & p.31 (Nance 1998 Report); Ex. A-76 (not-to-scale depiction of corrected location of [meter (e)] the pressure break tank as being situated after water meter which measures water flow into Moana Makani subdivision); Ex. A-78, figure 3; Shimizu Testimony, Vol. IX, pp. 108-09; Neeley Testimony, Vol. I, p.108; Neeley Witness Statement, p.3. [KMI FOF H.15]
49. There are two water filters to treat the water [coming off of] entering the Moana Makani subdivision connection, which are back washed daily to clear them of debris. See Ex. A-36, ¶¶VII.E.2.b., VII.F.2. & p.31 (Nance 1998 Report); Ex. A-76 (not-to-scale depiction of corrected location of filters as being situated before water meter which measures water flow into Moana Makani subdivision); Ex. A-78, figure 3; Shimizu Testimony, Vol. IX, pp. 69, 73, 108-09; Neeley Witness Statement, p.3. The waste water from the back wash process is neither metered nor reused. See Shimizu Testimony, Vol. IX, pp. 73, 109. [KMI FOF H.16]
50. Just after the pressure breaker tank, there is a meter for measuring inflows into the remainder of the water system. See Ex. A-36, p.31 (Nance 1998 Report); Ex. A-76 (not-to-scale depiction of location of meter (f)); Shimizu Testimony, Vol. IX, p.110; Neeley Testimony, Vol. I, p.108; Neeley Witness Statement, p.3. [KMI FOF H.17]
51. From the pressure breaker tank, water flows through a pipeline to two water filters. The water filters are automatically back washed daily to clear them of debris. The product of the backwash, which is nonpotable water, is diverted by a line to the golf course irrigation pond, but this amount is not metered. See Ex. A-36, ¶VII.E.-F. & p.31 (Nance 1998 Report); Ex. A-76 (not-to-scale depiction of water filters); Ex. A-31, p.2; Shimizu Testimony, Vol. IX, pp.69-72, 74-76, 125-30, 145-48, 150-51; Neeley Witness Statement, pp.3-4. [KMI FOF H.18]
52. Each of the two filters is estimated to use approximately 25,000 gallons per flush, and each filter flushes, on average, twice per day, suggesting an estimated combined total use of approximately 100,000 gpd. See Ex. A-77 (letter dated October 2, 1998 from Pacific Electro Mechanical, Inc. to KMI); Ex. A-78, p.8 (Nance 1988 Study) (noting that each of the two filters is estimated to use approximately 25,000 gallons per flush based on the manufacturer's written descriptions of the back wash cycle and confirmed by calculations of Pacific Electro Mechanical, Inc.); Ex. A-23. [KMI FOF R.5]

53. From the water filters, water is stored in a 2.0 million gallon tank for distribution to various end uses. See Ex. A-36, ¶VII.E.-F. & p.31 (Nance 1998 Report); Ex. A-76 (not-to-scale depiction of 2.0 mg storage tank); Ex. A-62 (photo of 2.0 mg storage tank); Neeley Testimony, Vol. I, p.108; Neeley Witness Statement, p.4. [KMI FOF H.19]
54. The following is a list of various West Molokai end uses which are serviced from the water stored in the 2.0 million gallon tank, all of which are metered uses. See Ex. A-36, ¶VII.F. & p.31 (Nance 1998 Report); Shimizu Testimony, Vol. IX, pp.117-124, 135-36; Neeley Testimony, Vol. I, p.109; Neeley Witness Statement, p.4.
- a. Kaluakoi Hotel and West Molokai Resort condominiums;
 - b. Ke Nani Kai condominiums;
 - c. Paniolo Hale condominiums;
 - d. Kaluakoi Golf Course (all potable water use is metered, but non-potable water use from sewage effluent and from back wash diversion line is not metered)
 - e. Molokai Fairways residential subdivision
 - f. Papohaku Ranchlands residential subdivision
 - g. City and County public beach park.
 - h. Nursery used to grow trees and plants for the Hotel and condominium grounds.
- [KMI FOF H.20]
55. The Kaluakoi hotel has 148 rooms and occupies 18.18 acres. Exh. A-5. [Caparida/Kuahuia FOF 4]
56. During the period from July 1991 to June 1992, occupancy rates at the hotel ranged from 38 to 71 percent. Due to low occupancy, KMI requests that more water should be granted than the Maui County guidelines and the 12-month moving average. Granting more water than is actually used, however, is inconsistent with Declaratory Rule No. DEC-OA94-G4. (Ex. A-26, p. 1; Ex. A-18). [DHHL/OHA FOF 27]
57. The Kaluakoi golf course consists of 151 acres, 118.9 acres of which is irrigated. Exh. A-32 (Attachment A). [Caparida/Kuahuia FOF 5]
58. For the year ending June 30, 1992, the 12-month moving average of recorded water usage for the golf course was 378,630 gpd. (Neeley Witness Statement, 5:20-21; Ex. A-31, meter readings for 1991-1992). This amount is about the same as fiscal year 1993's water usage on the

golf course of 384,900 gpd. (Neeley Witness Statement, 6:5-7; Ex. A-28, p. 2). [DHHL/OHA FOF 18]

59. For the years ending June 30, 1993 to 1995, the 12-month moving average usage figures of the Kaluakoi Golf Course are as follows:

Year ending June 30, 1993	384,900 gd
Year ending June 30, 1994	459,725 gd
Year ending June 30, 1995	501,900 gd

The annual water usage figures have increased over each of the last three years which reflects both the very wet winter of 1991/1992 and the much dryer years that have followed with the 1994/1995 year being particularly dry. (Exhibit A-28, p. 2, ¶ 5)

60. Records indicate that the average use of water on the Kaluakoi golf course is from 300,000 to 600,000 gd, probably around 500,000 gd. Neeley Testimony, Vol.II, pp.53-54.
61. The Commission finds that an annual water use of approximately 400,000 gd, or 3,390 gd/ac, is a reasonable amount for the Kaluakoi Golf Course, given its size, location, and water use history (see FOF 59).
62. The annual water usage figures have increased over each of the last three years which reflects both the very wet winter of 1991/1992 and the much dryer years that have followed with the 1994/1995 year being particularly dry. (Exhibit A-28, p. 2, ¶ 5)
63. The Kaluakoi Villas has 144 units and occupy 11.705 acres. Exh. A-5. [Caparida/Kuahuia FOF 6]
64. The Kenani Kai condominiums have 120 units and occupy 14.972 acres. Id. [Caparida/Kuahuia FOF 7]
65. Paniola Hale has 77 units and occupies 8.772 acres. Id. [Caparida/Kuahuia FOF 8]
66. Papohaku Subdivision has 252 lots and consists of 3200 acres. Neeley, TR 11/24/98 at 29:11-15. [Caparida/Kuahuia FOF 9]
67. Moana Makani Subdivision has 30 lots. Exh. A-32 (Attachment A) [Caparida/Kuahuia FOF 10]
68. Molokai Fairways has 16 lots. Id. [Caparida/Kuahuia FOF 11]

69. The three subdivisions consist of 4625 acres. Neeley, TR 11/24/98 at 38:14-20. Opening Br., Table 2. [Caparida/Kuahua FOF 12]
70. As of July 15, 1992, there were twenty-six (26) residences in existence and using water in the Papohaku Ranchlands subdivision, three (3) residences in existence and using water in the Moana Makani subdivision, and no (0) residences in existence in the Molokai Fairways subdivision. See Ex. A-28, Attachment A; Ex. A-32, Recapitulation of Attachment "A"; Stipulation, Vol. II, p.93. [KMI FOF O.1]
71. There currently are (as of December 4, 1998):
- a. Thirty-two (32) residences in existence (on 29 lots) and using water in the Papohaku Ranchlands subdivision, all of which are metered [see Ex. A-90, p.1 {lots 33, 34, 38, 39, 48, 59, 63 (2 homes, separately metered), 64, 67, 69, 72, 76 (2 homes, only one meter), 86, 87, 88 (2 homes, only one meter), 161, 195, 205, 220, 222, 232, 241, 243, 244, 245, 255, 260, 261, 270}; Ex. A-92; Neeley Testimony, Vol. IX, pp. 154-56];
 - b. Six (6) residences in existence and using water in the Moana Makani subdivision, all of which are metered¹ [see Ex. A-91 {lots 26, 31, 42, 43, 46, 50}; Ex. A-92; Neeley Testimony, Vol. IX, pp. 154-56]; and
 - c. Four (4) residences in existence and using water in the Molokai Fairways subdivision, all of which are metered [see Ex. A-91 {lots 70, 74, 81, 85}; Ex. A-92; Neeley Testimony, Vol. IX, pp. 154-56; Stipulation, Vol. II, p.94].
[KMI FOF O.4]
72. There currently are (as of December 4, 1998) at least four (4) lots in the Papohaku Ranchlands subdivision on which no residence has been built but which have used water for landscaping purposes, all of which are metered. See Ex. A-90, p.1 (lots 65,66,224,247); Ex. A-92; Neeley Testimony, Vol.IX, pp. 154-56. [KMI FOF O.5]

¹ However, KMI previously stipulated, in error, to there being only five (5) residences currently in existence and using water in the Moana Makani subdivision. See Stipulation, Vol. II, p.94, Vol. VIII, p.29.

73. There currently are (as of December 4, 1998) at least six (6) residences in the Papohaku Ranchlands subdivision under construction, all of which are metered. See Ex. A-90, p.2 (lots 30, 196, 219, 262, 275, 268); Ex. A-92; Neeley Testimony, Vol. IX, pp. 154-56. The acreages of these six (6) lots are: lot 30 – 5.0 acres; lot 196 – 5.0 acres; lot 219 – 5.4 acres; lot 262 – 6.0 acres; lot 275 – 5.5 acres; lot 268 – 5.9 acres, for a total of 32.8 acres. See Ex. A-14, Attachment 2. [KMI FOF O.6]
74. The information provided by the applicant describing the existing uses, especially for the resort residences, did not correspond with the pumpage data and the staff's field investigation. There were questions raised as to whether the inordinately high water use (see FOF 77) at some of the Papohaku Ranchlands subdivision lots was reasonable-beneficial considering the arid and windy conditions in the area. The Commission, in its March 14, 1995 action, was "compelled" to use County guidelines for the purpose of establishing an interim allocation for "reasonable beneficial" existing use. See STAFF SUBMITTAL, May 21, 1996, p.1.
75. Papohaku Ranchlands had a metered use, in June 1992, of 50.2 mg/year, or 138,000 gd, for the 26 existing residences. $138,000 \text{ gd} / 26 \text{ residences} = 5308 \text{ gd/residence}$. Moana Makani had a metered use, in June 1992, of 1.2 mg/year, or 3,000 gd, for 3 residences. $3000 \text{ gd} / 3 \text{ residences} = 1,000 \text{ gd/residence}$. Total metered use for the two subdivisions: $138,000 \text{ plus } 3,000 = 141,000 \text{ gd}$. See STAFF SUBMITTAL, May 21, 1996, Exhibit 11.
76. Although a better picture of KMI's metered water uses was obtained through data from the MPUI, staff was unable to analyze the newly-identified existing uses (e.g. the residential lots) for reasonable beneficial water use because basic use information (i.e. irrigated acreages, crop types) was not provided by KMI. The staff submittal of May 21, 1995 recommended that KMI address the following: "For each house/lot at Papohaku Ranchlands subdivision at which agricultural operations were in place as of July 15, 1992, KMI shall identify the name, address, and TMK of the agricultural water user, provide an estimate of irrigated acres and identify crop type, and set up a field investigation with Commission staff." See STAFF SUBMITTAL, May 21, 1995, pp.3, 4.
77. Metered water use by the top four highest users in the Papohaku Ranchlands subdivision, for the year ending June 30, 1992, ranged from 5,373,040 gallons/year (about equal to 14,700 gd) to 10,766,200 gallons /year (29,500 gd). See Exhibit A-28, Attachment D. The county standard is 600 gd per unit.

78. Kaluakoi has imposed no restriction on the amount of water that can be used on the subdivision lots in the covenants, conditions and restrictions applying to lot owners, only a limit on the size of the meter for each lot owner, which is $\frac{3}{4}$ ". Neeley, TR 11/23/98 at 150:5-10. [Caparida/Kuahuia FOF 171]
79. For the year ending June 30, 1992, the 12-month moving average of recorded water usage for the condominiums was 90,959 gpd. (Ex. A-75; Ex. A-31, Meter readings for 1991-1992). [DHHL/OHA FOF 31]
80. For the year ending June 30, 1992, the 12-month moving average of actual metered water usage for the beach park was 26,027 gpd. See Ex. A-28, Attachment A; Ex. A-32, Recapitulation of Attachment "A". [KMI FOF P.1]
81. For the year ending June 30, 1992, the 12-month moving average of actual metered water usage for the nursery was approximately 17,534 gpd. See Ex. A-28, Attachment A; Ex. A-32, Recapitulation of Attachment "A". [KMI FOF Q.1]
82. A figure of 10% for [normal] system losses/unaccounted for uses for that portion of KMI's water system from Mahana to the West Molokai end uses is [not excessive, and is well] within the range (10% - 12%) of what would reasonably be expected for a municipal water system such as KMI's system. See Ex. A-36, ¶VII.F.2. (Nance 1998 Report); Nance Testimony, Vol. VII, pp.26-28. [KMI FOF S.8]
83. Essentially all components of KMI's water system from Mahana to the Kaluakoi Resort entrance are comprised of antiquated former pineapple irrigation mains installed by Dole Plantation, which were reactivated to serve the Resort in 1976. See Ex. A-36, ¶ VII.D.1 (Nance 1998 Report); Shimizu Testimony, Vol. IX, pp.66-67. [KMI FOF S.9]
84. Sources of [normal] system losses for the portion of KMI's water system from Mahana to the West Molokai end uses include normal leakage. See Ex. A-36, ¶VII.F.1.-2. (Nance 1998 Report); Nance Testimony, Vol. VII, p.28. [KMI FOF S.10]
85. Sources of [normal] system losses for the portion of KMI's water system from Mahana to the West Molokai end uses include evaporation from the two open reservoirs at Puu Nana. See Ex. A-36, ¶ VII.D.2.b. & p.31 (Nance 1998 Report); Nance Testimony, Vol. VII, p.28. [KMI FOF S.11]

86. The two reservoirs have approximately 0.4 acres of open water surface. See Ex. A-36, ¶ VII.D.2.a. (Nance 1998 Report).
87. Evaporation occurs from these reservoirs at a rate of 2200 to 3400 gpd. See Ex. A-36, ¶¶ VII.D.2.b., VII.F.2. (Nance 1998 Report).
88. Sources of normal system losses for the portion of KMI's water system from Mahana to the West Molokai end uses include seepage at the Puu Nana reservoirs (likely negligible). See Ex. A-36, ¶VII.D.2.b. (Nance 1998 Report). [KMI FOF S.12]
89. Sources of unaccounted for uses for the portion of KMI's water system from Mahana to the West Molokai end uses include the back washing process of the two water filters at the connection serving the Moana Makani subdivision. See Ex. A-36, ¶¶VII.E.2.b., VII.F.2. & p.31 (Nance 1998 Report); Ex. A-76 (depiction of proper location of filters as being situated before water meter which measures water flow into Moana Makani subdivision); Ex. A-78, figure 3 (same); Shimizu Testimony, Vol. IX, pp. 69, 73, 108-09; Nance Testimony, Vol. VII, p.28. [KMI FOF S.13]
90. Backwash at Moana Makani was estimated to be 3,000 to 4,000 gpd. (Nance, Tr. 12/7/98, 28:5-7). [DHHL/OHA FOF 97]
91. Sources of unaccounted for uses for the portion of KMI's water system from Mahana to the West Molokai end uses include the use of fire hydrants to extinguish brush fires, the use of fire hydrants for line flushing, and the testing of fire hydrants. See Ex. A-36, ¶VII.F.1.-2. (Nance 1998 Report); Nance Testimony, Vol. VII, pp.27-28; Neeley Witness Statement, p.4.

E. Consistency with Policy Objectives Under § 174C-2(c) Regarding Beneficial Uses

92. There are approximately one hundred twenty-nine (129) full and part time employees employed by KMI, primarily for the Hotel and golf course. See Neeley Testimony, Vol. I, p.117, Vol. VIII, p.121; Neeley Witness Statement, p.1. In addition, approximately forty-three (43) persons are employed by the three condominium complexes. See Neeley Witness Statement, p.1; Neeley Testimony, Vol. I, p.117. [KMI FOF V.2]
93. There are four retail concessionaires working out of the Hotel. See Neeley Witness Statement, p.7. [KMI FOF V.3]

94. Whereas the overall unemployment rate for the State of Hawaii since 1990 to the present has ranged from 2.8 percent to 6.4 percent, the unemployment rate for the Island of Molokai for the same period has ranged from 8.4 percent to 18.1 percent, and as of 1997 was 14.8%. See Ex. A-41; Guard Witness Statement, p.1. This is compared to 1997 unemployment rates of 7.5% for the County of Maui as a whole, and 6.4% for the State of Hawaii as a whole. See Guard Witness Statement, p.1. The unemployment rate for the Island of Molokai as of August 1998 was 14.2%, compared to 6.3% for Maui County as a whole, and 6.1% for the State as a whole. See Guard Supplemental Witness Statement, p.1. [KMI FOF V.4]
95. One of the goals of the Molokai 10-year strategic plan as outlined in the Rural Federal Empowerment Zone Application is that "Molokai's existing visitor accommodations will be filled with travelers who are comfortable with the island's rural pace and who value its living Hawaiian cultural heritage." See Arakaki Testimony, Vol. V, p.134; Ex. B-63, Volume III, Part I, Section 3, page 1. [KMI FOF V.10]
96. The Kualapuu community uses of the KMI water system are comprised of domestic, commercial and municipal uses. (see Neeley Testimony, Vol. I, p.106; Neeley Witness Statement, p.2, [and therefore are "consistent with . . . the statement of policy objectives declared to be in the public interest as set forth in Haw. Rev. Stat. 174C-2(c)."] [KMI FOF U.4a]
97. The Moana Makani subdivision and Papohaku Ranchlands subdivision uses of the KMI water system are comprised of domestic uses, and irrigation and other agricultural uses (see Neeley Witness Statement, pp.3-4) [, and therefore are "consistent with . . . the statement of policy objectives declared to be in the public interest as set forth in Haw. Rev. Stat. 174C-2(c)."] [KMI FOF U.4.b]
98. The Molokai Fairways subdivision uses of the KMI water system are domestic uses(see Neeley Witness Statement, p.4. [and therefore are "consistent with . . . the statement of policy objectives declared to be in the public interest as set forth in Haw. Rev. Stat. 174C-2(c)."] [KMI FOF U.4.c]
99. The Kaluakoi Hotel and West Molokai Resort Condominium uses of the KMI water system are comprised of domestic and commercial uses(see Neeley Witness Statement, p.4. [, and therefore are "consistent with . .

. the statement of policy objectives declared to be in the public interest as set forth in Haw. Rev. Stat. 174C-2(c)."] [KMI FOF U.4.d]

100. The Ke Nani Kai and Paniolo Hale Condominium uses of the KMI water system are domestic uses (see Neeley Witness Statement, p.4). [, and therefore are "consistent with . . . the statement of policy objectives declared to be in the public interest as set forth in Haw. Rev. Stat. 174C-2(c)."] [KMI FOF U.4.e]
101. The Kaluakoi Golf Course use of the KMI water system is both a commercial use and a public recreational use(see Neeley Witness Statement, p.5; Neeley Testimony, Vol. I, p.109) [, and therefore is "consistent with . . . the statement of policy objectives declared to be in the public interest as set forth in Haw. Rev. Stat. 174C-2(c)."] [KMI FOF U.4.f]
102. The beach park use of the KMI water system is a public recreational use and municipal use (see Neeley Witness Statement, p.4) [, and therefore is "consistent with . . . the statement of policy objectives declared to be in the public interest as set forth in Haw. Rev. Stat. 174C-2(c)."] [KMI FOF U.4.g]
103. The nursery use of the KMI water system is used to grow trees and plants for the grounds of the hotel and condominiums, and, to a limited extent, also for sale to third parties (see Neeley Witness Statement, p.4) [, and therefore these uses are "consistent with . . . the statement of policy objectives declared to be in the public interest as set forth in Haw. Rev. Stat. 174C-2(c)."] [KMI FOF U.4.h]
104. The 10% contribution to the MIS, normal system losses after Mahana, and water filter back washing are [all] collateral to [, and an integral] and presently unavoidable [part] attributes of, all of the other above-described uses[, and therefore are "consistent with . . . the statement of policy objectives declared to be in the public interest as set forth in Haw. Rev. Stat. 174C-2(c)"; these uses are also integral and presently unavoidable aspect of KMI's water supply system, and therefore are consistent with the declared public interest category of "public water supply".] [KMI FOF U.4.i]

F. Rights of the Department of Hawaiian Home Lands Under the Hawaiian Homes Commission Act

105. The State [agencies have] of Hawaii has trust obligations toward native Hawaiians. Public policy articulated in the Hawaii Admission Act, Hawaii State Constitution, HHCA, and the Water Code authorizes the DHHL and other public agencies to undertake a range of activities for the benefit of native Hawaiians. (Yagodich, D-T-1, p. 2:14-17). [DHHL/OHA FOF 193]
106. DHHL has 25,383 acres of land on Molokai in Hoolehua, Kalamaula, Kalaupapa, Kamiloloa, Kapaakea, Makakupaia, and Ualapue which were set aside for use as Hawaiian home lands upon the passage of the HHCA in 1921. (Yagodich, D-T-1, 3:20-22). [DHHL/OHA FOF 197]
107. There are 812 homestead leases on Molokai and 1,615 applicants on the homestead waiting list. Construction and design projects in progress include a multi-service center and over 100 homestead lots in Hoolehua and Kalamaula. Leases will include industrial and commercial leases, agricultural, pastoral, and residential lots. (Yagodich, D-T-1, 4:1-5). Future water use would come from DHHL's reservation. (Yagodich, D-T-1, 6:9-12). [DHHL/OHA FOF 198]
108. DHHL has two wells serving these homestead areas, operating as a battery at a single site in Kualapu'u aquifer system, Well Nos. 0801-01 constructed in 1948 with an installed capacity of 600 gpm and 0801-02 constructed in 1983 with an installed capacity of 800 gpm. (Yagodich, D-T-1, 6:9-12).
109. DHHL has a reservation of 2.905 mgd of water in the Kualapuu aquifer system, pursuant to section 13-171-63, HAR. (Yagodich, D-T-1, 11:1-3). DHHL relies on the reservation and the 1.0 mgd capacity of its wells to service its homesteaders. (Yagodich, Tr. 12/2/98, 24:2-12). [DHHL/OHA FOF 199]
110. DHHL has a permit to use 0.367 mgd of water from wells 0801-01 and 02 for use in its Hoolehua and Kalamaula homestead areas. (Yagodich, D-T-1, 5:6-7). [One well, constructed in 1948, has a 600 gpm capability. The other well, constructed in 1983, has an 800 gpm capability.] (Yagodich, Tr. 12/2/98, 17:8-11).] [DHHL/OHA FOF 204]
111. The location of Well 17, TMK 5-2-12-029, is within the Central aquifer sector, Kualapuu aquifer system. (Ex. A-39; Neeley Witness Statement, p. 2). [Most of KMI's landholdings are on TMK's 5-1-various, which

are located within the West aquifer sector and outside of the aquifer of origin.] (Yagodich, D-T-1, 10:15-16). [DHHL/OHA FOF 222]

112. On or about September 13, 1996, the Department of Hawaiian Home Lands ("DHHL") filed an application to increase its permitted pumpage from Well Nos. 0801-01 and 0801-02 from 0.367 mgd to [0.761] 1.247 (an increase of [0.394] 0.879 mgd over existing permitted pumpage). See Ex. A-46. [KMI FOF C.2]
113. In a Water Commission draft (not for action) staff submittal prepared for the January 28, 1998 public hearing on DHHL's [amended] application, it was recommended that the application be denied on the grounds that the geographic concentration of Well Nos. 0801-01, 0801-02, 0801-03 and 0901-01 militated against granting a permit for the requested new withdrawals of 0.879 mgd from the existing DHHL wells, and suggesting that [any] such new withdrawals from the Kualapuu aquifer should be from new wells strategically located elsewhere within the aquifer so as not to interfere with the water quality in the existing wells. See Ex. A-50. [KMI FOF C.4]
114. At the January 28, 1998 public hearing, DHHL representatives proposed reducing the amount of its request from 0.88 to 0.21 mgd, to be taken from the water reservation of 2.905 mgd.
115. [Shortly thereafter] In a letter dated February 5, 1998, the Water Commission requested that DHHL arrange for the U.S. Geological Survey ("USGS") to review the question of whether an increase in pumpage from the two DHHL wells by 0.2 mgd would increase chloride concentrations to unacceptable levels. See Ex. A-51. [KMI FOF C.6]
116. On or about June 18, 1998, in response to the Water Commission's request, DHHL stated that the USGS was not able to answer that question based on available information. [However, DHHL nonetheless stated that it was "amending its Water Use Permit Application for DHHL Wells 0801-01 and 02, previously filed on September 17, 1997, to focus on our highest priority areas for development and reduce projected pumpage in Kualapuu, Molokai." Specifically,] DHHL [submitted an] also amended its water use application with a requested increase in permitted pumpage from 0.367 mgd to 0.637 mgd (an increase of 0.270 mgd over existing permitted pumpage). See Ex. A-54 (amended application); Ex. A-53 (statement by DHHL that "DHHL will follow the strategy of . . . [r]educing our WUP application from 870,000 gpd to 270,167 gpd"). [KMI FOF C.7]

117. The USGS developed a groundwater model entitled "Geohydrology and Numerical Simulation of the Groundwater Flow System of Molokai, Hawaii" ("USGS model"). (Ex. D-1). The USGS model was peer reviewed. (Oki, Tr. 12/7/98, 146:21-25 to 147:1-9). [DHHL/OHA FOF 123]
118. The purpose of the USGS model was to describe (1) the geologic and hydrologic setting of Molokai, (2) the numerical groundwater flow model developed, (3) the results of model simulations that qualitatively assess the hydrological effects of withdrawals at rates in excess of the average 1991-96 rates, and (4) data needs. (Ex. D-1, p. 2). [DHHL/OHA FOF 125]
119. The USGS model [was developed to] simulated groundwater levels and discharge for the period 1954-61 on Molokai. The period of 1954-61 was selected because rainfall, withdrawals, and water levels were relatively steady. (Ex. D-1, p. 29; D-T-2, 3:4-6; Oki, Tr. 12/7/98, 142:7-20). [DHHL/OHA FOF 127]
120. The USGS model cannot predict local scale upconing in the immediate vicinity of a well, nor can it predict local scale drawdown in the immediate vicinity of a well. It mainly looked at regional drawdowns. (Oki, Tr. 12/7/98, 162:24-25 to 163:1-3). The USGS model estimated the hydraulic conductivity for the area, not just a particular well. (Oki, Tr. 12/7/98, 171:18-19). [DHHL/OHA FOF 128]
121. Pineapple was cultivated on Molokai from 1923 to 1988. During this era, there was a higher rate of groundwater recharge and a lower rate of pumpage than there is today. The higher rate of recharge is because evapotranspiration from unirrigated pineapple is less than natural vegetation. Results of the water budget model indicate that pineapple cultivation on Molokai increased recharge, relative to natural vegetation conditions, by about 13 mgd, with about half of the increase occurring near Kualapuu. (Oki, D-T-2, 4; Meyer, D-T-3, 1:16-20 to 2:1-2). [DHHL/OHA FOF 130]
122. The USGS model simulated the long-term effects of pumping at the average 1992-96 withdrawal rates, the base case scenario. (Oki, D-T-2, 3:12-15; Oki, Tr. 12/7/98, 143:1-3). [DHHL/OHA FOF 131]
123. The average rate of withdrawal near Kualapuu during 1954-61 was about 0.42 mgd. The average rate of withdrawal near Kualapuu during 1992-96 was about 2.26 mgd. (Meyer, D-T-3, 2:5-10). [DHHL/OHA FOF 132]

124. During the 1950's and 1960's, measured water levels in the Kualapuu area were about 10-12 feet above sea level. Groundwater levels in Kualapuu are currently declining due to this reduction in recharge and the increase in pumpage. (Oki, D-T-2, 3:10-11; Meyer, D-T-3, 2:12-15). [DHHL/OHA FOF 133]
125. The thickness of a freshwater lens can be estimated by the Ghyben-Herzberg principle which estimates that for every foot of freshwater above sea level there is approximately 40 feet of freshwater below sea level. (Ex. D-1, p. 28; Meyer, D-T-3, 3:5-7; Oki, Tr. 12/7/98, 145:9-12). [DHHL/OHA FOF 140]
126. A water level of 8 feet results in a calculated depth to the interface of 320 feet below sea level. The two DHHL wells extend to a depth of about 90 feet below sea level. Thus, the distance between the bottom of the wells and the theoretical position of the interface would be 230 feet. (Meyer, D-T-3, 3:10-14). [DHHL/OHA FOF 141]
127. The location of the transition zone varies between islands. The thickness of the transition zone above the interface is about 80 feet in North Kohala on the Big Island, about 130 - 150 feet in the Iao aquifer on Maui, and about 150 - 325 feet on Oahu. Using these values as an approximate guide to the thickness of the transition zone above the interface at the DHHL wells on Molokai, an 8 foot water level could result in the DHHL wells being intruded by saltwater. (Meyer, D-T-3, 3:15-22 to 4:1). [DHHL/OHA FOF 142]
128. Whether or not the existing rate of pumpage can be maintained without the chloride concentration rising to unacceptable levels at the DHHL wells is unknown. Available data do not allow this question to be completely addressed. (Meyer, D-T-3, 2:19-22). One would need to know the depth to and thickness of the transition zone between freshwater and saltwater in the vicinity of the wells. It would also be necessary to understand how these two factors are changing with time. (Meyer, D-T-3, 2:22 to 3:1-3). [DHHL/OHA FOF 143]
129. There is no deep monitor well in Kualapuu; it is unknown how thick the transition zone is from the mid-point to the top of the transition zone or where the potable quality of water becomes an issue. (Ex. A-50, p. 3). [DHHL/OHA FOF 144]

130. The average chlorides from DHHL well 0801-01 increased by about 25 mg/l in 1991 and the average chlorides in well 0801-02 increased by 10 mg/l at the same time. (Nance Witness Statement, 3:20-23 to 4:1-2; Nance Report, Ex. A-36, ex. 12 and 13). The increase suggests that the top of the transition zone may be near the bottom of the DHHL wells. [(Meyer, D-T-3, 4:4-11; Oki, D-T-2, 4:6-8). DHHL/OHA FOF 145]
131. The CWRM recognized the interference between wells when it stated in its staff submittal regarding DHHL's water use permit application, "[the] two DHHL wells (Well nos. 0801-01 & 02), the County Department of Water Supply (DWS) well (Well no. 0801-03), and the Kukui Molokai Well 17 (Well no. 0901-01) all reside within one-half mile of each other. In terms of a regional scale, these wells are concentrating pumpage in one spot in the aquifer system. . . Chloride levels in the two DHHL wells and the DWS well are sensitive to pumping rates. . . Early low chloride readings from these wells were around 60 mg/l during the 1980's but have risen above 100 mg/l during more recent years of the 1990's. On occasion, chloride levels have reached 180 mg/l. The EPA potability guideline for chloride is to 250 mg/l. Therefore, the increases in chloride levels in response to relatively small increases in pumpage from this well field is an indication that localized upconing and interference between these wells is occurring."(Ex. A-50, p. 2). [DHHL/OHA FOF 154]
132. On January 28, 1998, the CWRM staff issued its staff submittal for the DHHL request for new uses in the Kualapu'u aquifer, noting that the 5 mgd sustainable yield reflects a withdrawal rate from an aquifer which would not impair "the utility or quality of the aquifer system as a whole." Exh. A-50 at 1. [Caparida/Kuahuia FOF 220]
133. The increase in chlorides in the DHHL well #0801-01 by about 20-25 mg/l from below to above 100 mg/l is in large part attributable to the commencement of pumping in the nearby county well (0801-03) in 1991, which raised the level of withdrawal from 0.367 mgd to 0.867 mgd in the immediate area. Id. at 2; Exh. B-7. [Caparida/Kuahuia FOF 222]

G. Traditional and Customary Native Hawaiian Practices

134. The gathering of crab, fish, limu, and octopus are traditional and customary practices that have persisted on Moloka'i for generations. Hamakua, B-T-6 at 2. [Caparida/Kuahuia FOF 324]

135. These practices reflect the traditions of the ancient Hawaiian culture and are predominantly followed for religious, cultural, and subsistence purposes. Hamakua, B-T-6 at 2. [Caparida/Kuahuia FOF 325]
136. Moloka'i is an island whose population is primarily Hawaiian and has **[an unbroken] a tradition of continuing these gathering practices [regularly since ancient times]**. McGregor, B-T-9 at 6-7; Hamakua, B-T-6 at 2, Lee, Alcain, Mendes, Caparida. [Caparida/Kuahuia FOF 326]
137. Moloka'i is unique because of the high ratio of Hawaiians and the continuation of their traditions by them. [Caparida/Kuahuia FOF 327]
138. **Dr. Davianna McGregor's study [revealed] suggests that many** Hawaiians on Moloka'i rely **[heavily]** on the natural resources of the land and the ocean. Their subsistence activities include extensive gathering of marine resources including fish, shellfish, 'ula, he'e and limu to feed their 'ohana (extended family). In addition, they rely on mountain areas for hunting and to gather plants for medicinal, subsistence, and cultural purposes. Exh. B-8. [Caparida/Kuahuia FOF 330]
139. Intervenors fish for mullet, weke, aholehole, and palani. [Caparida/Kuahuia FOF 308]
140. A variety of crab species -- ala'eke (Samoan Crab), kuhonu, mo'ala, and ali'i -- are gathered along the south shore. [Caparida/Kuahuia FOF 313, 316]
141. Shrimp (opae), which live near fresh water seeps, **[can be and is] are** being gathered off Kapa'akea and Kalama'ula. CWRM-1; Alcain, Tr. 10/30/97, 152:16-25, 153:1-19; Lee, Tr. 10/30/97, 115:22-25. Opae lolo, which also live near fresh water seeps, can be found along the Kamiloloa coastline up through Meyer's pond. Alcain, B-T-1. [Caparida/Kuahuia FOF 309, 317]
142. A variety of limu (ogo, 'ele'ele, wawae'ole, manuea, and huluhuluwaena) are gathered from the nearshore waters. [Caparida/Kuahuia FOF 350]]
143. Endemic plants to support the continuation of the practice of la'au lapa'au, or the traditional Hawaiian use of natural herbal remedies to treat illnesses. B-T-6; B-T-3. [Caparida/Kuahuia FOF 318]

H. Effect on Nearshore Ocean Resources and Resource Use

144. The salinity of near-shore sea water also has an effect on limu growth. Regardless of the nutrient concentrations in the groundwater, a reduction in salinity caused by a groundwater seepage may very well be beneficial to the growth of both wild and cultured limu, as limu frequently grows best in a mixture of seawater and freshwater. *Gracilaria* is example of this. [Any] A reduction in groundwater inputs would be expected to [further] increase salinities over the reef flat and be detrimental to the growth of limu. Laws, B-T-15 at 13-14, 15-16; Laws, Tr. 12/8/98 at 215:24-25, 216:9-12; see Exhibit B-39. [Caparida/Kuahuia FOF 429]
145. Primary factors which affect the growth of algae include light, water motion (which is the way nutrients are delivered to the plants), and nutrients. A substrate for the algae to attach to is also an absolute requirement, although many seaweeds can grow in the absence of a substrate but may just be exported out rather than stay in an area on a reef. Secondary factors are temperature and salinity, which are still important but do not directly act on a day to day basis because their changes tend to be spread over longer periods of time. The places where salinity would change are areas where there would be groundwater discharge. Smith, Tr. 12/2/98 at 228:1-22. [Caparida/Kuahuia FOF 451]
146. Groundwater is a source of nutrients for plants, not only the limu species, but for other species as well. These other species are likely to be food items for other organisms at higher levels of the trophic system. [So the removal of nutrients could potentially depress the productivity of that whole group in the ecosystem, leading to potential downturn in several other levels.] Smith, Tr. 12/2/98 at 220:24-25, 221:1-17. [Caparida/Kuahuia FOF 450]
147. Mullet (ama`ama), aholehole and milkfish (awa) depend on a euryhaline or brackish water environment for the nursery stage of their life cycle. Tamaru testimony B-T-13 at 2. [Caparida/Kuahuia FOF 466]
148. Fresh water is a necessary and integral part of the live food pyramid for these fish because it provides the nutrients for the growth of phytoplankton, the basis for the live food pyramid for juvenile mullet and milkfish (also referred to as "pua" or "fry"), which in turn enables the fish to switch over from a predatory diet to an omnivore or even herbivore diet. Tamaru Tr. 12/8/98 at 127:12-25, 128-32; Tamaru, B-T-13 at 4. [Caparida/Kuahuia FOF 472]

149. There are springs located throughout the shoreline, and these springs create a nursery habitat of indeterminate size. It is impossible to determine what the precise effect will be if the freshwater is reduced by a certain amount, because you don't know which [part of the] springs the reduction is going to affect. **[What will happen is the feed structure, the bottom of the food pyramid, will change. Even though it is impossible to determine precisely how the food pyramid will change, the effects would be exponential.]** Tamaru, Tr. 12/8/98 at 141:8-14; Tamaru, B-T-13 at 10. [Caparida/Kuahua FOF 493]
150. It is impossible to tell how much of an impact taking out a percentage of water from the aquifer will have on the nursery ground or nursery habitat. No one **[in the world can say what] knows if**, for example, a 10% reduction would mean [or] a 15% or 20% reduction. **[The only thing that can be said is the effects are not proportional. An 11% reduction in the freshwater won't result in an 11% change in habitat. It will be an exponential change.]** Tamaru, B-T-13 at 7. [Caparida/Kuahua FOF 475]
151. It is difficult to determine the exact percentage of freshwater required to create and maintain a viable and healthy nursery habitat. **[The] One of the determinative factors** is the nutrient load carried in the freshwater percolating through the ground. Tamaru, Tr. 12/8/98 at 137:19-25, 138:1-10. [Caparida/Kuahua FOF 488]
152. Small nursery habitats may spring up wherever freshwater comes up from the ground, and collectively form a large nursery habitat. Tamaru, Tr. 12/8/98 at 138:10-12. [Caparida/Kuahua FOF 489]
153. There is no precise ideal salinity level for brackish water nursery habitats. Rather, there is a range of salinity levels. Tamaru, Tr. 12/8/98 at 138:1-23, 139:16-23; Tamaru, B-T-13 at 9; Exhibit B-24. [Caparida/Kuahua FOF 490]
154. **[Exhibit B-65 is the kind of] There is a statistical** curve which those in fisheries refer to as the maximum sustainable yield. This is a general curve which [would] could be used **[for example,]** to show overall productivity for fish, rather than a specific species of fish. The object is to stay just below the curve so that the resource is continuously being naturally replenished. If you are below the curve, you could increase the amount of freshwater being taken out of the aquifer. But if you are above curve or the maximum sustainable yield, the result will be a change in the habitat. **[Once that occurs, it is very difficult to reverse.]** The difficulty

is determining precisely where one is on the curve. One way to determine this is [to start] monitoring [the situation]. A decrease of abundance will signal a change of habitat. Tamaru, Tr. 12/8/98 at 146:9-25, 147:1-14. [Caparida/Kuahua FOF 503]

155. [This is why baseline information is necessary.] With baseline information, [one can determine exactly] how much water may be withdrawn without negative effects could be better determined. Baseline information does not currently exist. Tamaru, Tr. 12/8/98 at 149:11-18, 160:6-12. [Caparida/Kuahua FOF 504]
156. ["The well] Well 17 is located on the central plain at an [altitude] elevation of 981 feet. [The observed water level in the well . . . is well below the altitude of nearby streambeds, and t] There are no perennial streams or other surface waters in the vicinity of the well.["] See Ex. A-15, p.4. [KMI FOF W.2a]
157. ["No basal groundwater discharges into streams in this aquifer. Manawainui Gulch and its upper tributaries are dry except during and immediately following rainfall events.["] See Ex. A-36, ¶VI.B.3. (Nance 1998 Report); Nance Witness Statement, p.5. [KMI FOF W.2b]
158. ["Ground water does not discharge into the streams in central and southwest Molokai .[. . .] Perennial streams in southeast Molokai will not be impacted because the ocean is closer to the pumping wells in the Kualapuu aquifer than the perennial streams are.["] See Ex. A-12, p.2; see also Ex. A-12, p.1 (stating that pumping a well near Kualapuu will not impact streams in Northeast Molokai due to the high density of dikes within the rift zone of the East Molokai Volcano). [KMI FOF W.2c]
159. A reasonable estimate of the natural flowrate of groundwater through the Kualapuu aquifer is approximately 11.5 mgd. See Ex. A-36, ¶VI.A. (Nance 1998 Report); Nance Witness Statement, p.5. [KMI FOF W.3]
160. Disposition of this groundwater flow (~11.5 mgd) [may] occurs in the following ways: (i) spring discharge into streams or diffuse seepage into streams; (ii) pumpage by wells; and (iii) discharge into the marine environment, either concentrated at springs or more diffusely over larger areas of the coastline. See Ex. A-36, ¶VI.B.1. (Nance 1998 Report); Nance Witness Statement, pp.4-5. [KMI FOF W.4]
161. [With regard to disposition of the Kualapuu aquifer groundwater flow by well pumpage, b] Based on available data for the 1997-98 period,

the draft from all wells in the Kualapuu aquifer was approximately 2.0 to 2.2 mgd, or approximately 17 to 19 percent of the Kualapuu aquifer's total groundwater flow. See Ex. A-36, ¶VI.B.2. (Nance 1998 Report). [KMI FOF W.6]

162. [With regard to disposition of the Kualapuu aquifer groundwater flow by discharge into the marine environment, t] The remainder of the groundwater flow that is not accounted for by well pumpage ultimately discharges into the marine environment. See Ex. A-36, ¶VI.B.4. (Nance 1998 Report); Nance Witness Statement, p.5. [KMI FOF W.7]
163. Assuming all other things being constant, if there is no increase in the amount of water being pumped by Well 17, there [would] will be no decrease in the amount of water that [would] discharges into the marine environment as a result of the continued pumpage of Well 17 at status quo levels. See Oki Testimony, Vol. VII, pp.151-52, 179. Hence, there would be no impact on the marine environment as it now exists as a result of KMI's continued pumpage of Well 17 at status quo levels. See Dollar Testimony, Vol. VI, p.118 ("keeping the historical pumpage the same should not have any effect on the situation as we see it now"); Laws Testimony, Vol. VIII, p.254 ("If things stay the same, then presumably there's not going to be any impact."); Tamaru Testimony, Vol. VIII, pp.159-60 (testimony from Dr. Tamaru that, if KMI were not seeking to increase pumpage from Well 17 above status quo levels, "[t]hat would assume there would be no change," and therefore Dr. Tamaru "wouldn't say anything" regarding KMI's application); McGregor Testimony, Vol. V, p.51. [KMI FOF W.8]
164. Most of the groundwater flow through the Kualapuu aquifer in the vicinity of Well 17 would emerge directly down gradient from that area along the portion of the Manawainui aquifer shoreline between Kamehameha Coconut Grove and Manawainui Gulch (in other words, the stretch of shoreline bounded by the channel cut in the reef off of Manawainui Gulch to the west and Coconut Grove to the east). See Nance Testimony, Vol. VII, pp. 44, 49-50; Ex. A-36, ¶VI.B.4. (Nance 1998 Report) (referencing USGS Report 97-4176, figures 22 and 23); Nance Witness Statement, p.5; Nance Rebuttal Witness Statement, pp.1-2; Oki Testimony, Vol. VII, pp. 179-80 (testimony that figure 23 of USGS Report 97-4176 was intended to show Kualapuu aquifer flow directions for average 1992-1996 pumpage conditions); see also Ex. A-83 (figure 23 of USGS Report 97-4176, overlaid with aquifer boundaries). For ease of reference, the above-identified stretch of shoreline is hereinafter referred to as the "Manawainui Shoreline". [KMI FOF W.9]

165. A smaller amount of the groundwater flow through the Kualapuu aquifer emerges along the Kaunakakai shoreline east of Coconut Grove. See Ex. A-36, ¶VI.B.4. (Nance 1998 Report) (referencing USGS Report 97-4176, figures 22 and 23); Nance Witness Statement, p.5; Nance Rebuttal Witness Statement, p.2. [With respect to this area, Dr. Dollar based his conclusions on a prior study done by Dr. Dollar on behalf of Waiola O Molokai which included the shoreline to the east of Coconut Grove from the location of the sewage treatment plant to the east of the Kaunakakai Harbor entrance channel. See Ex. A-79, p.14 (Dollar Report); Dollar Witness Statement, p.7.] [KMI FOF W.10]
166. The distribution of the shoreline discharge of the groundwater flow in the vicinity of Well 17 generally diminishes with distance from the shoreline area that is directly downgradient of the groundwater flow.^[2] See Nance Rebuttal Witness Statement, p.1.
167. The total groundwater flow discharge along the Manawainui Shoreline [would be] is roughly the sum of the Kualapuu aquifer flow, minus pumping by wells in the Kualapuu aquifer, plus the local recharge in the Manawainui aquifer, minus pumpage from wells in the Manawainui aquifer, for a total Manawainui Shoreline discharge with an order of magnitude of approximately 11 to 12 mgd over approximately 4 coastal miles (or an average of 2.7 to 3.0 mgd/mile). See Nance Testimony, Vol. VII, pp.45, 51-52; Ex. A-36, ¶VI.B.5. (Nance 1998 Report); Nance Witness Statement, pp.5-6. [KMI FOF W.13]
168. This discharge is not evenly distributed along the Manawainui Shoreline. See Nance Testimony, Vol. VII., p.51; Ex. A-36, ¶VI.B.5. (Nance 1998 Report); Ex. A-79, pp.6-7 (Dollar Report); Dollar Testimony, Vol. VI, p.110. [KMI FOF W. 14]

[² This general principle of hydrology is also reflected in a finding of fact in the Waiola contested case based on testimony of Mr. Oki. See CCH-MO96-1, Findings of Fact, Conclusions of Law, and Decision and Order, at p.25 (FOF 129) ("The largest effects [of groundwater pumpage on shoreline discharge] occur in areas nearest the well and effects diminish with distance from the well.").]

Appendix

Rulings on Party-Submitted Findings of Fact

The Commission on Water Resource Management makes the following rulings on the parties' proposed findings of fact. Findings are in two categories. Category A lists findings that are accepted in their entirety, or accepted with minor modifications or corrections that do not significantly alter the meaning of the original findings. Category B lists findings that are rejected, in whole or in part, because they are not relevant, taken out of context, repetitious, not supported by the reliable and probative evidence, or are, in whole or in part, contrary to the facts or the law. Any proposed finding of fact submitted by a party not adopted by the Commission herein, or rejected by clear contrary finding of fact herein, are denied and rejected.

I. KMI, Inc. *

- A. ACCEPTED - The Commission accepts the following findings of fact in their entirety, or with minor modifications: B5, B11-14, B17, B19-21; C2, C4, C6, C7; H3-12, H14-20; J1; K3, K4; O1, O4-6; P1; Q1; R5; S8-13; U4a-i; V2-4, V10; W2a-c, W3, W4, W6-10, W13, W14.
- B. REJECTED - The Commission rejects the following findings of fact: B2, B3, B4, B6-10, B15, B16, B18, B22; C1, C3, C5, C8-11; D1-4; E2-9; F1-4; G2-10; H1, H2, H13, H21; I1-4; J2-10; K1, K2, K5-13; L1-7; M1-11; N1-15; O2, O3, O7-23; P2-8; Q2-8; R1-4, R6-12; S1-7, S14, S15; T1-19; U1, U2; V1, V5-9, V11, V12; W1, W5, W11, W12, W15-22; X1, X2, X4, X5; Y1-7; Z1-10; AA1-4.

II. Caparida/Kuahuaia

- A. ACCEPTED - The Commission accepts the following findings of fact in their entirety, or with minor modifications: 4-12, 25, 29, 31, 32, 88, 103, 144, 171, 211, 212, 220, 222, 308, 309, 313, 316, 317, 318, 324-327, 330, 350, 429, 450, 451, 466, 472, 475, 488-490, 493, 503, 504.
- B. REJECTED - The Commission rejects the following findings of fact: 1-3, 13-24, 26, 27, 28, 30, 33-87, 89-102, 104-143, 145-170, 172-210, 213-219, 221, 223-307, 310-312, 314, 315, 319-323, 328, 329, 331-349, 351-428, 430-449, 452-465, 467-471, 473, 474, 476-487, 491, 492, 494-502, 505, 506.

* KMI submitted some of its proposed findings of facts and conclusions of law together. The above rulings pertain only to findings of facts.

III. Sykes

- A. ACCEPTED - The Commission accepts the following findings of fact in their entirety, or with minor modifications: 1.
- B. REJECTED - The Commission rejects the following findings of fact: 2-47.

IV. DHHL/OHA

- A. ACCEPTED - The Commission accepts the following findings of fact in their entirety, or with minor modifications: 4, 18, 27, 31, 97, 123, 125, 127, 128, 130-133, 140-145, 154, 186-188, 190, 193, 197-199, 204, 222.
- B. REJECTED - The Commission rejects the following findings of fact: 1-3, 5-17, 19-26, 28-30, 32-96, 98-122, 124, 126, 129, 134-139, 146-153, 155-185, 189, 191, 192, 194-196, 200-203, 205-221, 223-225.

V. CONCLUSIONS OF LAW

A. Authority of the Commission

1. The Commission has the authority pursuant to chapter 174C, Hawaii Revised Statutes (HRS), and chapter 13-171, Hawaii Administrative Rules (HAR), to designate water management areas and act upon and approve water use permit applications (WUPA) in those designated areas.
2. Pursuant to the Commission's authority under chapter 174C, HRS, the Commission designated 16 ground-water management areas on the island of Molokai on May 13, 1992 that became effective on July 15, 1992. One of the ground-water management areas is the Kualapu'u Aquifer System.
3. Once an area has been designated as a ground-water management area, no person may make any withdrawal or consumptive use of water within the designated area without a permit. Section 174C-48, HRS.

B. KMI's water use application

4. Section 174C-50(c), HRS, provides that "an application for a permit to continue an existing use must be made within a period of one year from the effective date of designation."
5. There was a timely application for a water use permit to continue the existing use of Well 17 on June 8, 1993, for a 2.0 mgd allocation from Well 17, which is within the Kualapu'u Aquifer. However, on October 2, 1998, KMI amended its original application by reducing its requested allocation to the amount of its 12-MAV actual metered water usage as of July 15, 1992, which KMI calculated as totaling 1.205 mgd.
6. The property overlying Well 17 was transferred from Molokai Ranch, Ltd. to KMI in October 1993.

C. Application is for an Existing Use Permit

7. The application is for an Existing Use Permit issued under section 174C-50(b), HRS.
8. Section 174C-50(b), HRS, authorizes the Commission to issue permits for existing uses upon a determination that the existing use is a reasonable-beneficial use and is allowable under the common law of the State.

9. The term "reasonable-beneficial use" is defined in section 174C-3, HRS, as:

the use of water in such a quantity as is necessary for economic and efficient utilization, for a purpose, and in a manner which is both reasonable and consistent with the state and county land use plans *and the public interest.*

10. Based on the evidence presented, the Commission concludes that the use of the water from Well 17 is consistent with (1) state and county land use plans, and (2) public interest.
11. The common law of this State is defined in section 1-1, HRS, as follows:

The common law of England, as ascertained by English and American decisions, is declared to be the common law of the State of Hawaii in all cases, except as otherwise expressly provided by the Constitution of laws of the United States, or by the laws of the State, or fixed by Hawaiian judicial precedent, or established by Hawaiian usage.

12. As the owner of the land on which Well 17 is located and which overlies the Kualapu'u Aquifer, KMI has correlative rights to make reasonable use of the water with due regard to the rights of other co-owners in the same waters and subject to regulation by the government. City Mill Co. v. Honolulu Sewer and Water Commission, 30 Haw. 912 (1929).
13. Therefore, based upon the evidence presented, the Commission concludes that the existing use of water from Well 17 in the amount of 877,489 gpd is allowable under common law.
14. Section 174C- 50(i), HRS, states that an existing use shall be given priority over any other application provided that the use remains the same *and is reasonable and beneficial and water is available.*
15. Based on the evidence presented, the Commission concludes that accountable existing uses of water from Well 17 remain the same and the allocation herein is reasonable and beneficial and allowable under common law.

D. Application for Proposed Water Use Permit

16. Section 174C-49(a), HRS, places the burden on an applicant to establish that the proposed water uses meet all the following seven criteria:
 - a. Can be accommodated with the available water source;
 - b. Is a reasonable-beneficial use as defined in section 174C-3;
 - c. Will not interfere with any existing legal use of water;
 - d. Is consistent with the public interest;
 - e. Is consistent with state and county general plans and land use designations;
 - f. Is consistent with county land use plans and policies; and
 - g. Will not interfere with the rights of the department of Hawaiian home lands as provided in section 221 of the Hawaiian Homes Commission Act.
17. The applicant's burden of proof is by a preponderance of the evidence. Section 91-10(5), HRS.
18. Based on the evidence presented, the Commission concludes, for the reasons set forth below, that the water use permit application for proposed uses, as amended by this decision and order, meets all the conditions in sections 174C-49(a), HRS, by a preponderance of the evidence.
 - (1) The proposed use can be accommodated with the available water source. Section 174C-49(a)(1), HRS.
19. The application seeks an allocation from the Kualapu`u Aquifer. The current sustainable yield for the Kualapu`u Aquifer is 5.0 mgd. The existing permitted uses for the Kualapu`u Aquifer total 1.754 mgd. DHHL has a water reservation of 2.905 mgd in the Kualapu`u Aquifer. Thus, the total commitment for Kualapu`u Aquifer is 4.783 mgd, below the sustainable yield of 5.0 mgd. The Commission concludes that the existing and proposed use can be accommodated within the available water source.

(2) **The proposed use is reasonable and beneficial. Section 174C-49(a)(2).**

20. "Reasonable and beneficial use" is defined in section 174C-3, HRS, as "the use of water in such a quantity as is necessary for economic and efficient utilization, for a purpose, and in a manner which is both reasonable and consistent with the state and county land use plans and the public interest."
21. Based on the evidence presented, the Commission concludes that the allocation based on this decision and order is an economic and efficient utilization of water. The domestic, commercial, agricultural, and municipal uses as set forth in the application are consistent with the standards utilized by the County of Maui. The Commission further concludes that an allocation for system loss is not necessary in this case because, for allocation purposes, system losses are factored into the calculation of the domestic consumption guideline used.
22. Therefore, the Commission concludes the allocation set forth in this decision and order to be reasonable and beneficial.

(3) **The proposed use does not interfere with any existing legal use. Section 174C-49(a)(3), HRS.**

23. Section 13-171-63, HAR, sets forth the applicable DHHL reservation for the Kualapu'u Aquifer as follows:

The commission hereby reserves 2.905 million gallons per day of ground water from state lands in the Kualapu'u Aquifer System for use on Hawaiian homelands on Molokai. In conformance with section 174C-49(d), Haw. Rev. Stat., all DHHL reservations are aquifer specific. See also sections 13-171-61 and 62, HAR. The reservation for DHHL is in the Kualapu'u Aquifer from state lands and not the Kamiloloa Aquifer.

24. DHHL, OHA, and Intervenor Judy Caprida, Georgina Kuahuia, and Sarah Sykes (collectively "Intervenor") have asserted that the water reservation in favor of DHHL in the Kualapu'u Aquifer is an existing legal use that is being interfered with by this proposed use. The Commission disagrees because a water reservation is not an existing legal use. Section 174C-49(d) states:
25. The commission, by rule, may reserve water in such locations and quantities and for such seasons of the year as in its judgment may be

necessary. Such reservations shall be subject to periodic review and revision in light of changed conditions; provided that all presently existing legal uses shall be protected.

26. A statute should be construed to avoid making a word superfluous. Yamaguchi v. State Farm Mutual, 706 F.2d 940 (9th Cir. 1983). No clause, sentence, or word should be construed as superfluous, if a statutory construction can be legitimately found to give force to all words of the statute. State v. Ortiz, 74 Haw. 343, 845 P.2d 547 (1993). Words should be given their ordinary meaning and should be construed to carry out the intent of the legislature. Keliipuleole v. Wilson, 85 Haw. 217, 941 P.2d 300 (1995).
 27. Section 174C-49(d), HRS, clearly provides that a reservation is subject to periodic review and may be subject to revision in light of changed conditions. Reservations are also subject to "existing legal uses." The argument that a reservation is an "existing legal use," is not supported by the statutory provision, which clearly set out the two as separate. If reservations were existing legal uses, the last proviso of section 174C-49(d) HRS would be a nullity.
 28. Based on the evidence presented, the Commission concludes that there is sufficient water within the Kualapu'u Aquifer to meet the allocation and DHHL's reservation without exceeding the sustainable yield.
 29. Based on the foregoing, the Commission concludes that the proposed use does not interfere with any existing legal use.
- (4) The allocation is in the public interest. Section 174C-49(a)(4), HRS.
- (a) Water uses and objectives that are in the public interest. Section 174C-2, HRS.
30. Section 174C-49(a)(4), HRS, requires that the proposed use be in the public interest. Section 174C-2, HRS, defines uses of water and objectives that are in the public interest. Section 174C-2, HRS, states:

The state water code shall be liberally interpreted to obtain maximum beneficial use of the waters of the State for purposes such as domestic uses, aquaculture uses, irrigation and other agricultural uses, irrigation and other agricultural uses, power development, and commercial and industrial uses. However, adequate provision shall be made for the protection of traditional

and customary Hawaiian rights, the protection of fish and wildlife, the maintenance of proper ecological balance and scenic beauty, and the preservation and enhancement of the waters of the State for municipal uses, public recreation, public water supply, agriculture, and navigation. Such objectives are declared to be in the public interest.

31. The proposed uses include municipal recreation (beach park and golf course), domestic (residential units), commercial (hotel and golf course), and agricultural (irrigation) uses. Under section 174C-2, HRS, those uses are in the public interest.
32. Further, the State has certain public trust responsibilities over all waters of the State. See Robinson v. Ariyoshi, 65 Haw. 641, 658 P.2d 287 (1982).
33. The State has a duty to protect, control, and regulate water resources and must act with a sense of fiduciary responsibility with regard to the use of water. The State Water Code embodies the public trust responsibilities over all waters of the State. The Code mandates consideration of the large variety of public interests. The definition of "public interest" in the Code broadly encompasses the protection of the environment, traditional and customary practices of native Hawaiians, scenic beauty, protection of fish and wildlife, and protection and enhancement of the waters of the State. These values embodied in the Code encompass those values set forth in the public trust responsibilities set forth in Robinson.
34. Based on the evidence presented, particularly the minimal effect on the environment, fish and wildlife, and the waters of the State, and the conditions set forth in this proposed decision and order which the Commission believes will ameliorate any negative effects, the Commission concludes that the allocation meets the public trust principles set forth in Robinson and the Water Code.
35. Based on the evidence presented, the Commission concludes that the allocation is in the public interest.
 - (a) **The allocation does not abridge or deny traditional and customary rights of native Hawaiians. Section 174C-49(a)(5), HRS.**
36. Article XII, Section 7 of the Hawaii State Constitution provides for the protection of native Hawaiian traditional and customary gathering rights:

The State reaffirms and shall protect all rights customarily and traditionally exercised for subsistence, cultural and religious purposes and possessed by ahupua'a tenants who are descendants of native Hawaiians who inhabited the Hawaiian Islands prior to 1778, subject to the right of the State to regulate.

37. In Public Access Shoreline Hawai'i v. County Planning Commission (PASH), 79 Hawai'i 425, 903 P.2d 1246 (1995), and the Hawaii Supreme Court stated:

The State's power to regulate the exercise of customary and traditionally exercised Hawaiian rights...necessarily allowed the State to permit development that interferes with such rights in certain circumstances...Nevertheless, the State is obligated to protect the reasonable exercise of customary and traditionally exercised rights of Hawaiians to the extent feasible.

Id. at 450 n. 43, 903 P.2d at 1271 n. 43.

The PASH case dealt specifically with access to and from lands where the reasonable exercise of customary and traditional rights of Hawaiians took place. The decision and its predecessors dealt with the obligation of the State to insure that development projects do not interfere with the access to lands where these practices occur. Pele Defense Fund v. Paty, 73 Haw. 578, 837 P.2d 1247, cert.den. 507 U.S. 918, 113 S.Ct. 1277, 122 L.Ed2d 671 (1993). Kalipi v. Hawaiian Trust Company, 66 Haw. 1, 656 P.2d 745 (1982).

38. In making the determination concerning interference with these rights, governmental agencies must address three questions: (1) whether traditional and customary native Hawaiian rights are exercised in the project area; (2) the extent to which, if such rights exist, they will be affected by the proposed action; and (3) the feasible measures, if any, that should be undertaken by the agency to protect these rights, if they are found to exist.
39. Based on the evidence presented, the Commission concludes that the shoreline and nearshore area makai of the project area contain many different kinds of limu, fish, and other marine life. The Commission concludes that the Intervenor has demonstrated that traditional and customary native Hawaiian practices are exercised on the shoreline and nearshore area makai of the project area, including subsistence fishing and gathering.

40. However, the Commission also concludes that no evidence was presented that the use of water from Well 17 would adversely affect the exercise of traditional and customary native Hawaiian rights. Nor does the Commission conclude that any evidence was presented that the existing or proposed uses would adversely affect any access to the shoreline or the nearshore areas. Therefore, the Commission concludes that the allocation will not in any way diminish access for traditional and customary native Hawaiian practices in the project area, shoreline, or nearshore areas.
41. The Water Code also provides in section 174C-101, HRS, for the protection of native Hawaiian traditional and customary gathering rights. The section states in pertinent part:
- Traditional and customary rights of ahupua`a tenants who are descendants of native Hawaiians who inhabited the Hawaiian Islands prior to 1778 shall not be abridged or denied by this chapter. Such traditional and customary rights shall include, but not be limited to, the cultivation or propagation of taro on one's own kuleana and the gathering of hihiwai, opae, o`opu, limu, thatch, it leaf, abo cord, and medicinal plants for subsistence, cultural, and religious purposes.
42. Intervenor's argue that the Commission also has a statutory duty under the Water Code to not permit any proposed use that abridges or denies traditional and customary native Hawaiian gathering rights. Intervenor's argue that further withdrawal of ground water in the Kualapu`u Aquifer for consumptive use will reduce the amount of ground-water discharge into the nearshore area makai of the project area. Intervenor's argue that the reduction of ground water will have an effect on the marine life in the nearshore area that is traditionally and customarily gathered by native Hawaiians. They argue that the reduction of marine life, if severe enough, will diminish their ability to practice traditional and customary native rights even if access is not impaired by the proposed use.
43. Potential adverse impacts of the current level of ground water pumpage on the ground water flux at the coastline in support of natural habitat should already be visible. Evidence does not show that nearshore resources are in decline, that ground water flux has changed over the course of historic pumpage, or that any such change should be considered anything more than one of a number of potentially causative factors if the biological resources do indeed decline.
44. Based on the evidence presented, the Commission concludes that the proposed use will have no measurable adverse impact on the limu, fish and

other marine species traditionally and customarily gathered and consumed by native Hawaiians.

45. Even though the Commission concludes that the impacts are minimal and the proposed use is in the public interest, the Commission believes that it has a legal mandate to protect the reasonable exercise of traditional and customary native Hawaiian practices. Because the project may have an impact, albeit minimal, on the traditional and customary native Hawaiian practices, the Commission imposes as a condition of this permit, that should there be changed conditions that impact traditional and customary native Hawaiian practices, any party may petition the Commission or the Commission on its own motion, may order a show cause hearing why the allocation in this case should not be reduced.

46. Therefore based on the evidence presented, the Commission concludes that the allocation set forth in this decision and order does not abridge or deny traditional or customary native Hawaiian rights, customs, practices, or appurtenant water rights, or any other rights referred to or protected by Part IX of the state Water Code, the common law, or the Constitution of the State of Hawaii.

(5) The allocation set forth in the decision and order is consistent with state and county general plans, land use designations, plans and policies. Section 174C-49(a)(5) and (6), HRS.

47. Section 174C-49(a)(5), HRS, requires that the proposed use be consistent with State and county general plans and land use designations. Section 174C-49(a)(6), HRS, requires that the proposed use be consistent with county land use plans and policies.

48. Based on the evidence presented, the Commission concludes that the allocated existing and proposed uses are consistent with State and county general plan, land use designations, plans and policies. They are referenced in Exhibit 1 "Calculation for Kaluako'i Resort and Kualapu'u Town" of this decision.

(6) The allocation does not interfere with the rights of the department of Hawaiian home lands as provided in section 221 of the Hawaiian homes commission act. Section 174C-49(a)(7), HRS.

49. Section 174C-49(a)(7), HRS, requires that the proposed use not interfere with the rights of DHHL as provided in section 221 of the Hawaiian Homes Commission Act.

50. DHHL has asserted that the proposed use will interfere with its existing well located in Kualapu'u because the increased pumping caused by the proposed use will significantly impact the DHHL well. Based on the evidence presented, the Commission concludes that the allocation does not interfere with the rights of DHHL as provided in section 221 of the Hawaiian Homes Commission Act.
51. Finally, DHHL asserts that continuing the existing and permitting the proposed uses would make it impossible for DHHL to utilize its full allocation in Kualapu'u by increasing the chloride concentration levels. There was no conclusive evidence presented that the proposed pumpage in Well 17 alone would increase the chloride concentration to unacceptable levels at the DHHL wells.
52. Based on the evidence presented, the Commission concludes that there is sufficient water available to accommodate DHHL's water reservation and the proposed allocation to KMI without exceeding the sustainable yield for the Kualapu'u aquifer.
53. Therefore, based on the evidence presented, the Commission concludes that the allocation does not interfere with the rights of DHHL as provided in section 221 of the Hawaiian Homes Commission Act.

E. Compliance with Law

54. The Commission will retain jurisdiction over this water use permit. If there are significant or unexpected increases in chlorides or drawdowns in the two DHHL wells, the DWS well, or KMI's Well 17, substantially in excess of what they were on the effective date of designation, any party may petition the Commission, or the Commission may on its own motion, order a show cause hearing as to why the permitted amounts of withdrawal of water should not be reduced along with lawful and equitable reductions in pumpage from other wells in the Kualapu'u Aquifer.
55. The provisions of chapter 91, HRS, and chapter 13-167, subchapter 4, HAR, pertaining to contested case hearings, have been fully complied with in this proceeding.
56. Based on the evidence and testimony, and the files and records of this case, the Commission concludes that the Applicant has met its overall burden of proof and the Commission concludes the weight of the evidence supports the issuance of a water use permit, as set forth in this Decision and Order.

57. If any statement denominated a conclusion of law is more properly considered a finding of fact, then it should be treated as a finding of fact. Conversely, if any statement denominated a finding of fact is more properly considered a conclusion of law, then it should be treated as a conclusion of law.

VI. DECISION AND ORDER

- A. Pursuant to § 174C-50, HRS, concerning existing uses, the Commission approves the issuance of a water use permit to Kukui (Moloka'i), Inc. ("KMI") for the withdrawal and reasonable-beneficial use of 936,000 gpd (as listed in Exhibit 1, "Calculation for Kaluako'i Resort and Kualapu'u Town") from Kalualohe Well ("Well #17", Well No. 0901-01). The allocations listed in Column #4 of Exhibit 1 are not a water "budget" for each of the water uses listed but, instead, the calculations used to determine the 12-month moving average (12-MAV) as of July, 1992 which shall be the amount permitted. KMI shall be given flexibility in the operation of its water system subject to its 12-MAV allocation. This water use permit is subject to "Standard Water Use Permit Conditions" (Attachment C).
- B. Pursuant to § 174C-49(a), HRS, concerning proposed uses, the Commission approves the issuance of a water use permit to KMI for the withdrawal and reasonable-beneficial use of 82,000 gpd (as listed in Exhibit 1, "Calculation for Kaluako'i Resort and Kualapu'u Town") from Kalualohe Well ("Well #17", Well No. 0901-01). The amounts listed in Column #5 of Exhibit 1 are not a water "budget" but, instead, the calculations used to determine the proposed allocations of water that may be reasonably and beneficially used at Kualapu'u Town; KMI's resort units, residential lots, and golf course; and for the collateral system usage fees required by the Molokai Irrigation System and the line and evaporative losses that are attendant to KMI's current water system. This permit is subject to "Standard Water Use Permit Conditions" (Attachment C).
- C. Because the sustainable yield of the Kualapu'u Aquifer system is close to full allocation, the issuance of both permits is subject to the following special conditions:
- 1 If there are significant or unexpected increases in chlorides or drawdowns in the two DHHL wells, the DWS well, or KMI's Well 17, substantially in excess of what they were on the effective date of designation, any party may petition the Commission, or the Commission may on its own motion, order a show cause hearing as to why the permitted amounts of withdrawal of water should not be reduced along with lawful and equitable reductions in pumpage from other wells in the Kualapu'u Aquifer.
 - 2 The approximately 100,000 gpd of water used to clean the filters through back washing near the Moana Makani subdivision are to be metered, recaptured, and used for irrigation of the golf course or for other outdoor uses. A flow meter, approved by the Chairperson, shall be installed to measure the back wash water used to clean the filters. The flow meter shall be operational within 90 days of the issuance of the aforementioned

permits. Meter readings are to be taken monthly and made available to the Commission upon request. If and when the back-washing system is no longer needed, that amount of water may be used to blend with non-potable alternative sources for the resort's other non-potable applications and uses.

- 3 Meters are to be installed within 90 days of the issuance of the aforementioned permits (a) to measure the amount of non-potable sewage effluent going into the golf course irrigation lake; and (b) to measure the amount of non-potable water withdrawn from the golf course irrigation lake for irrigation of Holes 2 through 6 of the golf course. Meter readings are to be taken monthly and made available to the Commission at their request.
- 4 Within six-months of the date of issuance of the aforementioned permits, KMI will prepare and present to the Commission a report on the affirmative steps it is taking to control leakage and evaporation from the KMI water system. This report need not include leakage or evaporative losses incurred as KMI's permitted water passes through the Molokai Irrigation System.
- 5 Within twenty-four months of the date of issuance of the aforementioned permits, KMI will prepare and present to the Commission a feasibility study on the development of a new source of nonpotable water near Mahana which can be blended to irrigate the golf course.
- 6 Through xeriscaping, low-flow fixtures, water-blending, and other similar practices, Kukui (Moloka'i), Inc., or its successors or assigns, will make every reasonable effort to encourage and practice the conservation of potable and non-potable water at its hotel and resort condominium operations lots and at private residences that are users of water pumped from Well #17. KMI will submit a written report to the Commission, within six months of the date of issuance of the aforementioned permits, on the progress of compliance with the terms of this condition.
- 7 KMI will prepare and distribute a memorandum to all lot and condominium owners notifying them of the need to practice conservation of potable and non-potable waters. A copy of the memorandum shall be sent to the Commission.
- 8 If and when KMI is able to establish its own potable water delivery system from Well 17 to the Kaluakoi Hotel, resort condominiums, and residential

lots, the amounts permitted as "MIS System User Charges" (Columns #4 and #5, Exhibit 1) will be rescinded.

D. Action on Outstanding Motion

MOTION: INTERVENORS SYKES, CAPARIDA AND KUAHUIA'S MOTION FOR REOPENING OF RECORD AND CONTINUANCE OF ARGUMENT ON EXCEPTIONS TO HEARING OFFICER'S PROPOSED DECISION AND ORDER (received by mail on 10/18/01).

ACTION: On October 15, 2001 (received by facsimile), Intervenor Sykes, Caparida, and Kuahuia moved for: (1) a reopening of the record in this docket to receive recent material information on the water uses being made by Applicant Kukui Molokai, Inc.; and (2) a continuance of the October 17, 2001 hearing until this information can be incorporated by the parties in their arguments for the Commission's consideration of the new data.

On October 15, 2001, the Chairperson and presiding officer, Gilbert Coloma-Agaran, scheduled the motion as a non-hearing motion and provided the parties the following schedule:

1. Memorandum in Opposition must be filed and served no later than Tuesday, October 23, 2001.
2. Response to Memorandum in Opposition must be filed and served no later than Friday, October 26, 2001.

On October 23, 2001, KMI filed a memorandum in opposition to the motion.

On October 26, 2001, based on Alan Murakami's phone call representing that KMI had no objection to his request for an extension, the deadline to file responses to the memorandum in opposition was extended to October 30, 2001.

On October 30, 2001, Intervenor Caparida and Kuahuia filed responses to KMI's Memorandum in Opposition.

On November 2, 2001, Intervenor Sykes filed a further memorandum in support of her motion.

After consideration of the legal arguments made, evidence submitted by the parties, and based upon the record as a whole, the Commission denies the motion pursuant to HAR 13-167-59.

EXHIBIT 1

Calculation for Kaluako'i Resort and Kualapu'u Town

Water Use	<u>Reported</u> gd, July '92	Recommended Standard	<u>Allocation</u>		Total
			Existing	(New)	
Kaluako'i Hotel (148 units) 18 acres	64,000 ¹	350 gd/unit ² , 60% occupancy ³ 2000 gd/ac ⁴	64,000 ⁵	3,000 ⁵	67,000 ⁵
Resort Condos ⁶ (341 units) 35.5 acres	158,000 ⁷	560 gd/unit ⁸ , 60% occupancy ³ 2000 gd/ac ⁴	158,000	28,000 ⁹	186,000 ⁹
Residential lots ¹⁰	141,000 ¹¹	1000 gd/unit ¹² , 29 ex'tg ¹³ , 22 new ¹⁴ ; 51 units total ¹⁴	29,000 ¹⁵	22,000 ¹⁶	51,000
Golf Course (118 acres turf)	379,000 ¹⁷	testimony (see FOF 60), comparables ¹⁸ see also ¹⁹	379,000	21,000	400,000 ¹⁸
Beach Park	26,000 ¹⁷	current use	26,000	0	26,000
Nursery	18,000 ¹⁷	current use	18,000	0	18,000
Filter Backwash	100,000	consultant estimated average (see FOF 52)	100,000 ¹¹⁹	0	100,000
Moloka'i Ranch	49,000 ²⁰	(connections closed)	0	0	0
System loss	109,000 ²¹	0 ²²	0	0	0
Kaluako'i Total	1,044,000²³		774,000	74,000	848,000
MIS System Use Charge	124,000 ²⁴	10% by contractual arrangement ²⁵	86,000 ²⁵	8,000 ²⁵	94,000 ²⁵
Kualapu'u Town (167 units)	76,000 ¹⁷	current use	76,000	0	76,000
Total	1,244,000²⁶		936,000²⁷	82,000²⁷	1,018,000²⁷

I. EXHIBIT 1 NOTES

1. Kaluakoi Hotel and West Molokai Resort condominiums (also called Kaluakoi Villas) have a common meter (see FOF 53.a.) That metered amount, "existing" as of the designation date, is listed under "HOTEL" in exhibit A-31 as 47.7 mg/year, or 0.131 mgd = 131,000 gallons per day. To separate the hotel use from the condominium use, the amount estimated for Kaluakoi Villas (67,000, see note 7) is subtracted from the "HOTEL" total. Actual hotel use therefore is 131,000 minus 67,000 (rounded) = 64,000.
2. 350 gd/unit based on Exhibit A-44, Table 15, DOMESTIC CONSUMPTION GUIDELINE, for RESORT, MAUI.
3. 60% selected as a reasonable occupancy estimate based on a range of 38 to 71% (see FOF 55).
4. The standard used for irrigation of the common areas of the Kaluakoi Hotel and Resort Condos is estimated two ways: 1) using Oahu parks estimate of 4,000 gd/ac (see Exhibit A-44, Table 15) and Honolulu BWS average estimated xeriscaping savings of 50% (50% of 4,000 = 2,000 gd/ac); or 2) using Maui parks estimate of 1,700 gd/ac (see Exhibit A-44, Table 15), rounded to 2,000 gd/ac.
5. The allocation for Kaluakoi Hotel combines the recommended standard of water use per unit (350 gd/unit), at 60% occupancy, with an allowance for xeriscape landscaping (2,000 gd/ac):

148 units * 60% occupancy = 88.8, rounded to 89 units.

89 units * 350 gd/unit = 31,150 gd, rounded to 31,000.

18 acres * 2,000 gd/ac = 36,000 gd

The combined total allocation: 31,000 + 36,000 = 67,000 gd

Of the combined total allocation, if 64,000 gd is considered as existing use (see Note 1, the estimated amount of use as of July '92), then 3,000 gd can be considered as new use, for a total of 67,000 gd.

6. The "Resort Condos" consist of the Kaluakoi Villas – 144 units (part of Kaluakoi Hotel meter, see Note 1), the Kenani Kai condos – 120 units, and Paniola Hale – 77 units (see FOF 61 to 63), for a total of 341 units.

7. Kenani Kai (120 units) and Paniolo Hale (77 units) used 33.2 mg/year or 0.091 mgd, listed under "CONDOS" in Exhibit A-31. The use per unit (0.091 mgd/197 total units) = 462 gallons per unit per day. The amount of water used by Kaluakoi Villas was estimated by multiplying the number of units (144) by 462 gallons per unit per day ($462 * 144 = 66,528$ or 67,000 rounded). The total use of the three (3) condos is estimated by adding the Kaluakoi Villas estimate (67,000) with the metered amount (0.091) from Kenani Kai and Paniola Hale. The estimated use from the three condos is therefore 91,000 plus 67,000 (rounded) = 158,000.
8. 560 gd/unit based on Exhibit A-44, Table 15, DOMESTIC CONSUMPTION GUIDELINE, for RESIDENTIAL, Multi-Family Low Rise, MAUI.
9. The allocation for Resort Condos combines the recommended standard of water use per unit (560 gd/unit), at 60% occupancy, with an allowance for xeriscape landscaping (2,000 gd/ac):

341 units * 60% occupancy = 204.6, rounded to 205 units.
 205 units * 560 gd/unit = 114,800 gd, rounded to 115,000.

35.5 acres * 2,000 gd/ac = 71,000 gd

The combined total allocation: $115,000 + 71,000 = 186,000$ gd

Of the combined total allocation, 158,000 gd can be considered as existing use (the estimated amount of use as of July '92), and 28,000 gd can be considered as new use, for a total of 186,000 gd.
10. The "Residential lots" consist of Papohaku Ranchlands – 252 lots, Moana Makani – 30 lots, and Molokai Fairways – 16 lots (see FOF 61 to 63).
11. Papohaku Ranchlands had a metered use, in June 1992, of 50.2 mg/year, or 138,000 gd, for the 26 existing residences. $138,000 \text{gd} / 26 \text{ residences} = 5308$ gd/residence. Moana Makani had a metered use, in June 1992, of 1.2 mg/year, or 3,000 gd, for 3 residences. $3000 \text{gd} / 3 \text{ residences} = 1,000$ gd/residence. Total metered use for the two subdivisions: 138,000 plus 3,000 = 141,000 gd.
12. Maui County's standard for residential, single family or duplex, is 600 gd/unit or 3,000 gallons per acre, based on Exhibit A-44, Table 15, DOMESTIC CONSUMPTION GUIDELINE, for RESIDENTIAL, Single Family or Duplex, MAUI. Commission staff has considered as "reasonable-beneficial use", 1,000 gd/unit based on actual use in neighboring homestead areas on Molokai. The 1,000 gd/unit reflects "larger lot sizes, larger household sizes, and a larger range of beneficial uses" (see Exhibit A-50, STAFF SUBMITTAL for the Public

Hearing, COMMISSION ON WATER RESOURCE MANAGEMENT, January 28, 1998, Kaunakakai, Molokai, p.3). KMI has requested "in the alternative" that the Commission "grant an allocation of water for the residential subdivisions based upon the Commission staff's recommended standard of 1,000 gpd per unit for the similarly situated DHHL lots" (see EXCEPTIONS TO THE HEARING OFFICER'S PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND DECISION AND ORDER, Dated July 31, 2000, pp. 10, 11).

13. As of June 1992, there were twenty-six (26) existing residences for Papohaku Ranchlands and three (3) existing residences for Moana Makani, for a total of twenty-nine (29) existing residences (see FOF 65).
14. By December 1998, Papohaku Ranchlands had a total of thirty-two (32) residences: the twenty-six (26) "existing" ones and six (6) "new" residences. Moana Makani had six (6) total residences: the three (3) "existing" ones and three (3) "new" ones. KMI earlier stipulated that there were only five (5) residences in the Moana Makani subdivision, so two (2) will be considered as "new" uses. Molokai Fairways had a total of four (4) residences, all "new" uses (see FOF 66). Also by December 1998, there were at least four (4) lots in Papohaku Ranchlands, without any residences built, but which were being irrigated for landscaping purposes, and were metered, and at least six (6) lots with residences under construction and metered (see FOF 72). To summarize, as of December 1998, there were twenty-nine (29) "existing" uses, and twenty-two (22) "new" uses (including the ten (10) metered uses without residences or with residences being built), for a total of fifty-one (51) uses.
15. Twenty-nine (29) existing units times 600 gd/unit: $29 \text{ units} * 600 \text{ gd/unit} = 17,400$ rounded to 17,000 gd.
16. Twenty-two new units times 600 gd/unit: $22 \text{ units} * 600 \text{ gd/unit} = 13,200$ rounded to 13,000 gd.
17. Metered amount rounded to nearest 1,000 gallons.
18. Park standard, Oahu: 4,000 gd/ac; Maui: 1,700 gd/ac (Exhibit A-44, Table 15); Makaha golf courses: 3,170 & 2,463 gd/ac; Kukui allocation: 3390 gd/ac. $3390 \text{ gd/ac} * 118 \text{ ac} = 400,020$ rounded to 400,000 gd (see FOF 61).
19. The filter backwash is recycled to golf course.
20. Estimated. No longer used as of October 1, 1998 (see FOF 46).

21. System loss is an estimate which includes: 1) unaccounted losses between the amount of water pumped from Well 17 and the amount of water withdrawn and measured at Mahana, indicated as "DIFFERENCE" (9.4 mg/year or 26,000 gd) on Exhibit A-31; and 2) EVAPORATION & LINE LOSSES (30.6 mg/year or 84,000 gd) on Exhibit A-31. System loss = 26,000 plus 84,000 = 109,000 gd.
22. Recommended Standard for System loss is zero (0) in this particular case. The "Recommended Standard" for all but the Beach Park and Nursery are estimates based on standard duties developed for planning purposes. Losses are included in the development of the standard duties.
23. "METER READINGS-MAHANA" from Exhibit A-31. 381.0 mg/year = 1,043,836 rounded to 1,044,000 gd.
24. "10% TO MIS" from Exhibit A-31. The "10% TO MIS" in Exhibit A-31 is listed as 45.4, which is 10% of the "WELL 17 TOTALS" of 454.1, for the year ending June 1992. The "10% TO MIS" or "MIS System Use Charge" should more accurately be stated as 10% of the amount of water pumped from Well 17 (p) minus the amount of water supplied to Kualapuu Town (k), or $0.1 * (p - k)$, or $0.1 * (454.1 - 27.7) = 0.1 * 426.4$ mg/year. 426.4 mg/year = 1.168 mgd * 0.1 = 116,822 rounded to 117,000 gd. (see FOF 40).
25. The "MIS System Use Charge" for the allocation amounts is calculated as follows:

10% contribution to MIS for system losses = $0.1 * (p - k)$. Where: p = amount of water pumped from Well 17 (metered); k = amount of water supplied to Kualapuu community (metered) (see FOF 40).
26. "WELL 17 TOTALS" (metered) from Exhibit A-31. 454.1 mg/year = 1,244,109 rounded to 1,244,000 gd.
27. Calculated amount of water pumped from Well 17: $p - k = w * 1.11 \frac{1}{9}$. Where: p = amount of water pumped from Well 17 (metered); k = amount of water supplied to Kualapuu community (metered); and w = amount of water withdrawn by KMI from MIS at Mahana (metered).

Molokai Ranch Barring Access to Records

Monday 7-14-08 BY: MOLOKAI DISPATCH STAFF

Filed Under: Business | Political

MPL wants to raise water rates 178%.

Molokai Dispatch Staff



It is reported that MPL employees were ordered to burn massive amounts of company files from Maunaloa offices shortly after the ranch announced its plans to shutdown operations. Policy makers have recently complained about impeded access to MPL's water records.

Figuring out how to continue water service to central and west Molokai users has remained difficult and frustrating for State and County policy makers who have not been provided access to necessary information. A June 24 Maui County letter to the Public Utilities Commission (PUC) claims that only "sparse information" was provided by Molokai Properties Limited (MPL), also known as Molokai Ranch. It also reads that MPL was "not responsive to each of the PUC's requests (for information)."

While the threat of MPL's August water utility pullout looms ever closer County representatives are urging the PUC to "subpoena books, records, accounts, and witness testimony necessary for the PUC and the Consumer Advocate to determine whether rate increases are necessary and justified."

MPL's Chief Executive Officer Peter Nicholas recently advised the PUC that unless former ranch employees and other residents were willing pay a significant 178% increase in water rates, the MPL was going to walk away from its responsibility of providing service.

Based on the MPL's demands, Maunaloa and Kualapu'u residents would be forced to pay a staggering \$5.15 per 1000 gallons of water verses the current rate of \$1.85.

"We don't know what to expect from Molokai Ranch," said Catherine Awakuni, Executive Director of the Consumer Advocate Office, at a recent meeting on Molokai. "We don't know if they are going to be cooperative, uncooperative, if we are going to have to be subpoena... to get the information we need."

Failure of MPL Cannot be Blamed on the Opposition

By Keith Izawa, Molokai High 1999

Molokai Properties Limited has been operating at a deficit for years – excluding land sales, more than \$41 million between 2001 and 2007, according to the La'au Point Draft EIS (p.114). Since 2003, financial support from MPL's parent company, GuocoLeisure Limited, seems non-existent, as "GuocoLeisure Limited [will not fund] its subsidiaries [MPL] for operational needs" (p.115). MPL operations for the past four years appear to have been supported only by real estate sales: "Between 2003 and 2007, MPL was able to sell enough land in order that it could fund its own operating cash requirements, capital needs, master planning, and entitlement costs" (p.115).

This appears to no longer be the case. The closing of Molokai Ranch indicates its operations are no longer self-sustaining, via real-estate sales or otherwise. Peter Nicholas states that "unacceptable delays caused by continued opposition to every aspect of the Master Plan means we are unable to fund continued normal company operations". He continues to say "without the prospect of an economic future for the company that results from the implementation of all facets of the Master Plan, we are unable to continue to bear large losses from continuing these operations".

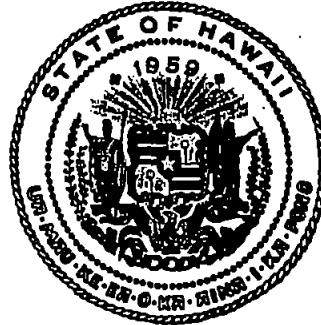
However, the "delays" in starting the implementation of the La'au Point development and other "Master Plan" activities are procedural, and not due to unforeseeable, unexpected, or unreasonable opposition to "The Plan". A final EIS has yet to be completed, as well as numerous other proceedings needed to go forward with the project. These are required by law. MPL has (or should have) known the time needed for their completion at the outset of this project. They have nothing to do with the current financial standing of MPL.

MPL blames their current financial insolvency on opposition to La'au Point. Some people have been convinced enough to blame specific individuals vocal and visible in their opposition to MPL's plan, and who are pursuing other alternatives to it. However, blaming La'au opposition fails to acknowledge the actual reasons for MPL's financial woes – a history of operating deficits, depressed real-estate and lending industries worldwide, and a parent company unwilling to continue subsidizing non-performing investments.

The unemployment resulting from the closure of Molokai Ranch operations will have a ripple effect on individuals, families, and the community at large. Emotions will run high – this is evident from the comments posted on the Molokai community newspapers' websites. I am optimistic that unproductive blame and anger can be converted into support, collaboration, and innovation in moving forward with Molokai's future.

Public Utilities Commission

465 S. King Street
Honolulu, Hawaii 96813
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In the Matter of
Temporary Rate Relief for
Wai'ola O Moloka'i,
Molokai Public Utilities, Inc., and
Mosco

Wai'ola O Moloka'i

IMPACT TO CURRENT WATER RATE SCHEDULE			
	Current Rates	PUC Proposed	Wai'ola Proposed
User Charge (per 1000 gallons):	\$ 1.85	\$ 4.10	\$ 5.15
Deposit	\$ 50.00	\$ 50.00	\$ 50.00
Monthly Service Charge:			
Meter Size 5/8"	\$ 5.00	\$ 11.08	\$ 5.00
Meter Size 3/4"	\$ 5.00	\$ 11.08	\$ 5.00
Meter Size 1"	\$ 10.00	\$ 22.15	\$ 10.00
Meter Size 1-1/2"	\$ 10.00	\$ 22.15	\$ 10.00
Meter Size 1-5/8"	\$ 10.00	\$ 22.15	\$ 10.00
Meter Size 2"	\$ 25.00	\$ 55.38	\$ 25.00
Meter Size 3"	\$ 50.00	\$ 110.77	\$ 50.00
Meter Size 4"	\$ 75.00	\$ 166.15	\$ 75.00
Meter Size 6"	\$ 150.00	\$ 332.30	\$ 150.00
Meter Size 8"	\$ 250.00	\$ 553.83	\$ 250.00

Moloka'i Public Utilities

IMPACT TO CURRENT WATER RATE SCHEDULE

	Current Rates	PUC Proposed	MPU Proposed
User Charge (per 1000 gallons):	\$ 3.18	\$ 4.48	\$ 6.04
Conservation charge (per 1000 gallons above customer classification level)	\$ 4.70	\$ 6.63	\$ 4.70
Monthly Standby Charge:			
Meter Size 5/8" or 3/4"	\$ 11.25	\$ 15.86	\$ 11.25
Meter Size 1"	\$ 15.00	\$ 21.14	\$ 15.00
Meter Size 1-1/2"	\$ 22.50	\$ 31.72	\$ 22.50
Meter Size 2"	\$ 37.50	\$ 52.86	\$ 37.50
Meter Size 3"	\$ 75.00	\$ 105.72	\$ 75.00
Meter Size 4"	\$ 112.50	\$ 158.58	\$ 112.50
Meter Size 6"	\$ 225.00	\$ 317.16	\$ 225.00
Meter Size 8"	\$ 375.00	\$ 528.60	\$ 375.00

3

MOSCO

IMPACT TO CURRENT WASTEWATER RATE SCHEDULE

	Current Rates	PUC Proposed	MOSCO Proposed
Single Family Residence	\$44.00	\$44.00	\$52.56
Hotel Room, Condominium			
Apartment Unit, Dwelling			
Unit in Multiple Unit Project	\$44.00	\$44.00	\$52.56
Commercial/Industrial/ Recreational	\$44.00	\$44.00	\$52.56

4

**PUBLIC HEARING
MOLOKA'I PUBLIC UTILITIES, INC., WAI'OLA O MOLOKA'I, INC.,
AND MOSCO INC.
DOCKET NO. 2008-0115**

**Presentation of Catherine P. Awakuni, Executive Director
Division of Consumer Advocacy
Tuesday, July 15, 2008, 10:00 A.M.
Maunaloa Elementary School**

Good morning Chairman Caliboso, Commissioner Cole, Commissioner Kondo., ladies and gentlemen. My name is Catherine Awakuni and I am the Executive Director of the Division of Consumer Advocacy ("Consumer Advocate"). Joining me today is our office's education specialist, Jayson Horiuchi. The Consumer Advocate's role is to represent the interests of all Hawai'i consumers of public utility services by advocating for reliable utility services at reasonable customer costs. To that end, I am here today to listen to the community's comments and concerns regarding the temporary rate increases for Moloka'i Public Utilities, Inc. ("MPU") and Wai'ola O Moloka'i ("Wai'ola") proposed by the Hawai'i Public Utilities Commission to ensure the continued operations of MPU, Wai'ola, and Mosco.

The temporary rate increases for Wai'ola and MPU are intended to address the utilities' alleged financial inability to continue utility services beyond August 2008, and provide time for a third party to take over the utilities' systems. In particular, based upon currently available financial information for Wai'ola and MPU, the Commission proposed to increase the monthly standby charge and user fee for MPU by 40.95 percent and by 121.5 percent for Wai'ola to produce sufficient revenues to cover the companies' respective operating expenses.

Clearly, the Consumer Advocate's office would prefer to carefully review any proposed rate increase to ensure that the rates are just and reasonable. We do not have information that we would have under ordinary circumstances, and note that it would likely

take at least one to two months to gather information, analyze data, and develop a recommendation. We understand, however, that this situation is less than ideal. First, the Commission and the parties to this proceeding have little time, since the utilities have suggested that they may cease providing services at the end of August 2008. Second, customers are likely to have great difficulty paying increased rates that will be imposed as a result of the temporary increases, given the recent layoffs and rising costs of goods and services. Finally, the utilities allege that they are operating at a loss that cannot be sustained, asserting that they may need to terminate services due to their financial hardship.

By a June 16, 2008 order, which initiated this proceeding and proposed the temporary rates, the Commission requested that the parties to the proceeding file preliminary comments to the proposed rate increases within five days of the Commission's order. On June 23, 2008, the Consumer Advocate filed its preliminary comments, stating that with grave reservations, we do not oppose the proposed temporary rate increases. In addition, we recommended that the Commission order the utilities to provide the following information on a monthly basis during the six-month period that the increased rates are to remain in effect:

1. The customer count for the month;
2. Copies of billing records illustrating the volume of water consumed by customers, the revenues billed for such usage, and the payments made by each customer; and

3. Copies of the support for the operating expenses incurred to allow for an independent assessment of the quantity times price for the expense to determine the reasonableness of such expenses for rate setting purposes.

The Commission advised that it will allow the parties to file statements of position on August 7, 2008 so that it may render a decision soon thereafter. To prepare for such filing, and as I stated at the outset, I am here today to seek your input on the temporary rate increases that are proposed. I encourage you to provide your comments about the temporary rate increases to the Commission and the parties today. Your input is important because only you can tell us what effect the proposal may have on you and the businesses you may represent.

As we move forward, please feel free to contact the Consumer Advocate's office at anytime to share your thoughts, concerns, and questions regarding this or any other utility matter.

Thank you for the opportunity to make this presentation.

Contact information for the Division of Consumer Advocacy:
Mail Post Office Box 541, Honolulu, Hawaii 96809
E-mail consumeradvocate@dcca.hawaii.gov
Phone (808) 586-2800
Fax (808) 586-2780



pau hana ohana
<pauhanamolokai@yahoo.com>
m>

07/14/2008 02:01 PM

To Kaiulani.K.Shinsato@hawaii.gov

cc

bcc

Subject Testimony Docket 2008-0115

Aloha:

Enclosed is testimony I provided at the County of Maui's July 8 hearing.

Also enclosed are a couple of interesting documents floatng around the island:

1. Letter to editor by 1999 Molokai Graduate Keith Izawa providing a perspective on the ranch's sudden shutdown
2. A summary of statements and actions by MPL and GucocLeisure offcier Mr. Peter Nicholas, which document the inconsistencies surrounding statements and actions Mr. Nicholas has levied on his company employees and our Molokai community.
3. Recent on-line article in the Molokai Dispatch showing Ranch employees burning files and reporting on the difficulty decision makers and the public are having getting the straight scoops from MPL in order to assess a constructive way to resolve this utility mess that everyone has been burdened with because MPL has a new business scheme it wants to put in play for its Molokai investment.

Respectfully submitted

DeGray Vanderbilt

Past Chair of the Molokai Planning Commission
Current member of the Molokai Water Working Group, which is advisory to the State Commission on Water Resource Management.
A member of the Molokai Enterprise Community's Land Use Committee that spent three years working with Mr. Nicholas in crafting the Molokai ranch Master Plan.



Final July 8 DV testimony.doc MPL closure Izawa LTE 0331.doc Utility PN pics quotes.doc



Molokai Ranch Barring Access to Records | The Molokai Dispatch.webarchive

Testimony of DeGray Vanderbilt at July 8, 2008 town hall meeting sponsored by Maui County Mayor Charmaine Tavares and Maui County Council member, Danny Mateo.

Aloha Danny and Charmaine and welcome back again Mahina.

Tonight, I would like to try and shed some light on the intentions that are really behind the Ranch's threatened shutdown of its utility services, as well as, try to explain what stimulated the Ranch's "business decision" to shutdown its other operationsan arbitrary decision that was contrary to assurances Mr. Nicholas and Ranch management had given to Ranch employees a few months earlier that the Ranch would not shut down unless certain events took place...and those events never took place.

We've been told that Molokai Ranch owns six utility companies which provide essential water delivery and wastewater disposal service to residents at the Kaluakoi resort, Maunaloa Town, Kualapuu Town and Kipu.

The two utility companies providing water are losing about \$450,000 a year according to Ranch Chief Executive Officer Peter Nicholas.

Mr. Nicholas says the sewage treatment plant serving residents at the Kaluakoi resort is profitable according to figures he provided to the state Public Utilities Commission (PUC).

Mr. Nicholas has failed to provide detailed financial operations on the remaining three utility companies, two that provide wastewater service for Maunaloa and Kualapuu and one which is the Ranch's Mountain Water System.

Does he want to hang on to the three unregulated utilities, or what?

Mr. Nicholas is currently threatening government officials and residents of our community that if someone doesn't take over the operation of his company's utility

operations by the end of August (less than 60 days from now) he is going to pick up his marbles and go home and leave government.... and our community to clean up any mess caused by the Ranch irresponsible, self-serving bailout scheme.

Mr. Nicholas says his company has no more money to fund Molokai operations, yet I understand that the Ranch still maintains offices in the high rent district of downtown Honolulu.

So what do the PUC Commissioners do? They do something unprecedented. Generally, when a company like Molokai Ranch needs a utility rate increase, it is the company that applies for the increase to the PUC....not the PUC applying for a rate increase on behalf the company.

In the Molokai Ranch case, the PUC Commissioners initiated a temporary rate increase which. If approved, will result in Maunaloa and other Molokai residents coughing up an additional \$445,000 to the Ranch for water, assuming it will take at least a year to resolve the utility fiasco in a fair and reasonable manner.

So maybe you'd think Mr. Nicholas would say, "thank you very much Mr. PUC Commissioners...now let's work together and resolve this important issue."

Not Mr. Nicholas.

Mr. Nicholas instead told the PUC Commissioners that his company would not deter him from closing down at the end of August. He then fired back a counter offer saying that he wanted Maunaloa, Kualapuu and other Molokai residents to pay the Ranch at least double what the Commissioners proposed before he would consider keeping the utility companies in operation.

You got to give the guy credit, he keeps selling his "tough guy" image even though few in the public are taking his ranting seriously.

Molokai Ranch has access to all the money it needs to operate the utilities. The company can chose to sell off some of its 60,000 acres, which Mr. Nicholas claimed could be worth as much as \$800,000 million dollars, or he could talk to the foreign corporation that owns the Ranch (the sale of just one of the many Papohaku Ranchlands 15-plus acre lots the Ranch owns at the Kaluakoi resort will cover the utility companies' negative cash flows...each lot worth at least \$400,000)

Molokai Ranch is 100% wholly-owned subsidiary of a billion dollar foreign company based in Singapore called GuocoLeisure Limited (formerly BIL International). Certainly the Ranch's parent company can chip in a little something to help out.

Yet, Mr. Nicholas says there is no money.

In its most recent 2007 company annual report, GuocoLeisure describes itself as (quote) "an international investment company headquartered in Singapore. *The Company's primary role is as an active investor with strategic shareholdings and active investment management aimed at extracting and maximizing shareholder value.*"

Remember these words, *"The Company's primary role is....aimed at extracting and maximizing shareholder value."*

This is what this whole Molokai Ranch shutdown and utility company bail out plan is all about *"extracting and maximizing"* the value of the company's Molokai investment for the sole benefit of GuocoLeisure shareholders without regard, and I repeat, without regard to consequences suffered by the Molokai community as GuocoLeisure attempts to implement its new, self-serving business plan.

In addition to serving as Molokai Ranch's top gun, Mr. Nicholas is also listed in GuocoLeisure's latest annual report as one of GuocoLeisure's five "senior management" people.

Mr. Nicholas is allegedly making over \$500,000 in his dual role as a Vice President for GuocoLeisure and Chief Executive Officer of Molokai Ranch.

GuocoLeisure's head honcho is a man by the name of Mr. Quek Leng Chan. He is Executive Chairman of GuocoLeisure and according to a recent commentary by Howard Dicus, one of Hawaii's most respected business reporters, Howard Dicus, Mr. Chan is worth an estimated \$2.9 billion dollars.

He is allegedly the 314th richest man in the world and the sixth richest in Malaysia.

\$2.9 billion dollars, that's a lot of zeros, that's a lot of "dollars". In fact, Mr. Chan is not only a millionaire, he is a millionaire 2,900 times over.

We're talking serious, big time money here, and yet the County of Maui, the State, the PUC and residents in our community are expected to believe that Mr. Nicholas, Mr. Chan and their profitable, billion dollar company, are not able to come up with enough money to run a few utility companies on Molokai?

So why am I bringing up all those big dollars Mr. Nicholas and Mr. Chan are taking down and the billion dollar net worth of GuocoLeisure?

For one reason.

There seems to be an obvious, simple solution to this whole utility shutdown hoax being played on our community by Mr. Nicholas and Mr. Chan.

Let's assume Mr. Nicholas is earning \$500,000 and the Ranch's three regulated utilities are experiencing a net negative cash flow from operations of approximately \$400,000 each year. (one of the three companies MOSCO is actually making money).

The solution is to write one letter to Mr. Chan and suggest that he fire Mr. Nicholas on the spot, for purely business reasons, the same reasons Mr. Nicholas gave for shutting down the Ranch's operations and giving all the company employees their walking papers.

Next take the \$500,000 freed up by Mr. Nicholas's departure and apply those funds to cover the \$400,000 annual cash flow deficits incurred by the Ranch's utility.

Case closed and everyone can go home and relaxes and life goes on and Mr. Chan has an extra \$100,000 to put in his already extremely deep pockets.

If that doesn't work, then call Mr. Nicholas on his threat to pull out by the end of August if someone doesn't take over its utility companies.

The PUC has ordered Molokai Ranch not to pull the plug on its utility services at the end of August. If the Ranch defies the PUC's order, the law provides for the PUC to bring criminal charges and levy fines up to \$25,000 a day....that's \$9,000,000 a year if the Mr. Nicholas and Mr. Chan continue to play hardball with folks in Hawaii and refuse to get their act together.

No one will have their water shutoff because the state and the County can come in and immediately seize the Ranch's utility assets for emergency reasons and continue essential services for the public, especially if the Ranch is in contempt of an order from the PUC.

Meanwhile, the fines will be mounting up (\$9,000,000 a year), and the PUC can place a lien on the Ranch's land and other assets in order to collect what is owed. Whether the MPl officials receive any jail time for their contempt of a PUC order is unknown at this time.

It's likely that Mr. Chan would prefer to avoid this scenario, which would result in some unwanted, embarrassing media publicity. What would he tell his shareholders in GuocoLeisure annual report, which is due to be published in a couple of months.

Mr. Chan issued a comforting press release recently (see company website) to GuocoLeisure shareholders downplaying the Ranch's total shutdown by stating the following:

"The Company wishes to advise that Molokai Ranch is to cease its tourism and other operations on Molokai Island, Hawaii at the end of March.

As a result of the decision, Molokai Ranch will be shutting down and land-banking the company's assets on its 60,000 plus acre property.

Presently, the aforementioned cessation of operations of MPL is not expected to have any significant financial impact on GL Group for the financial year ending 30th June 2008." **END OF PRESS RELEASE**

You heard it right the Molokai Ranch shutdown "is not expected to have any significant financial impact on GL Group for the financial year ending 30th June 2008."

Thank you very much Mr. Chan.....glad to hear your company shareholders won't be impacted by the Ranch's shutdown.

So why did Mr. Nicholas abruptly announce that the Ranch was shutting down after assuring employees a few months earlier that there would be no drastic layoffs unless there were "further delays" in the Ranch implementing its Master Plan, including the development of La'au Point. (there were no further delays).

Was the Ranch in terrible financial condition?

Not if you read the rosy picture Mr. Chan was painting of his company's Molokai investment to GuocoLeisure shareholders.

In last year's GuocoLeisure's annual report shareholders were told that the company's Molokai investment (and I quote) *"continued to remain cash positive through the sale of non-strategic" subdivided land. The company also sold a large parcel of agriculture land to Monsanto."*

So where did the money from the Monsanto big sale go? What was the sale price?

According to Pacific Business News, Monsanto recently paid over \$31 million dollars for 2,300 acres of agricultural land on Oahu. Monsanto's local business manager, Terry Miller, said 1,600 acres are suitable for farming and the remaining 700 acres are slated to remain as open space.

\$31,000,000 for 2,300 acres is \$19.375 per acre Monsanto paid for the Oahu farmland.

According to the Star Bulletin article reporting the Monsanto sale, MPL sold 1650 acres to the corn research company. At \$19,375 that would mean MPI pocketed \$22,275,000. This would cover MPL's \$3.5 million operation losses for almost seven (7) years.

If MPL got 50% of the price Monsanto paid on Oahu, that would over \$11,000,000 (Monsanto may have received a heavy discount in return for the company's endorsement of MPL's controversial La'au Point project).

SO WHERE DID ALL THAT MONEY GO. IF APPLIED TO MPL OPERATIONS, THERE WOULD HAVE BEEN NO REASON TO SHUTDOWN. THE COMPANY COULD HAVE REMAINED CASH FLOW POSITIVE FOR ANOTHER 3 TO 6 YEARS ON THE MONSANTO SALE ALONE.?

Possibly the PUC Commissioners could ask MPL's representative to explain the details of the lucrative MPL land sale to Monsanto.

GuocoLeisure's 2005 and 2006 annual reports also touted the company's Molokai investment as "continuing to remain cash flow positive".

Back to the GuocoLeisure annual reports.

In the 2006, shareholders were treated to more positive news about the company's Molokai investment in the annual report, which stated: *"Both occupancy and revenue per available room for the company's two existing tourist establishments, the luxury 22-room Molokai Lodge and the 40-tent platform Beach Village improved significantly over the previous year."*

I'm not making this stuff up. These quotes are right from the GuocoLeisure annual financial reports on the company's website.

So with the big land sales and increase tourism activity, why isn't there any money to continue operating the utilities..... and in light of all the glowing information shared with GuocoLeisure shareholders about the company's Molokai investment...then why did the Ranch shut down operations in the first place?

GuocoLeisure Vice President Peter Nicholas said it was purely "a business decision" to shutdown. As I stated earlier in my testimony, GuocoLeisure claims to base its "business decisions" on how best to extract and maximize value for GuocoLeisure shareholders as noted in its most recent annual report.

If you read the GuocoLeisure 2007 annual report closely, it includes a statement made by Mr. Chan, the company's Executive Director, which may be a tip off on what the company had up its sleeve for Molokai.

Mr. Chan wrote, "During 2007, GuocoLeisure continued to maximize value for its Molokai Ranch investment. We will continue to focus on operational deficiencies and improve cash flow for our investment."

Mr. Chan and Mr. Nicholas were not born yesterday. GuocoLeisure's new business plan for Molokai was an easy one for these two corporate guru's to dream up.

Both Mr. Chan, and his corporate sidekick Mr. Nicholas, have been keenly aware of the pending economic slowdown forecast for Hawaii.

What better way to fulfill Mr. Chan's goals to "maximize value" of the company's Molokai Ranch investment, deal efficiently with "operational deficiencies" and "improve cash flow" than to shutdown Ranch operations completely and wait along the sideline for better economic times to come around.

By shutting down, the company automatically "maximized value" by eliminating all expenses and land banking its lands while awaiting better economic times..

You don't have to be a rocket scientist to understand the best way to resolve the Ranch's "operational deficiencies" would be to just shutdown those operations.

What better way to "improve cash flow" than to shutdown and get rid of the Ranch's largest expense.....payroll.

And that's the thinking that appears to have gone into Mr. Chan and Mr. Nicholas "pure business decision" to abruptly shut down Ranch operations.

And as concluded the company press release sent to GuocoLeisure shareholders, they would feel no financial impact from the Ranch shutdown.

The Ranch would land bank its 60,000 acres of landholdings and have very little carrying costs while it waited for better economic times to reap higher land sale values.

And by some chance the Ranch is able to complete its scheme to have the County to be

responsible for delivering water to Ranch properties, the value of those properties will automatically increase in value substantially....why?.... because the "uncertainty" about water availability, which was an issue with the Ranch in charge, would be gone with the County running the show.

As noted in the PUC's recent Decision and Order, Molokai Ranch would prefer to have the County take over its utility operations.

As Mr. Nicholas said, the Ranch shutdown was decided on purely for business reasons.

The PUC, Consumer Advocate and County should look at resolving the mess created by the Ranch by applying also "business reasons".

Let Mr. Nicholas and his company walk away August 31 and then bring the hammer down on the Ranch and its parent company, GuocoLeisure Limited.

Mr. Chan is a well known international gambler and has got to know his threat to walk at the end of August is a bluff that could cost him to lose a lot of chips that his company would not welcome losing at this time.

Mr. Chan would also inherit a lot of unfavorable publicity for his large international company putting the screws to our small island community.

If the County, or anyone else is willing to take over Molokai Ranch's responsibilities to deliver water and wastewater service, it is going to at least a year, or more, before anyone is able to complete the due diligence necessary to understand what they are getting themselves into.

Ranch management allegedly continues to claim its utility systems are "up to County standards". Anyone living on the west end know this is about as far from the truth as you can get.

At the Kaluakoi resort alone, one half of the resorts dual water delivery system is totally inoperable. Possible the PUC Commissioner could inquire of MPL's representative at the July 1 hearing as to what the company plans to do about this major deficiency.

If the State or County should invest to get the Ranch off the hook, demands should be made for the Ranch to stop holding our community hostage.

The Ranch should be required to sell of lands such as the Kaluakoi hotel and/or the "non-strategic" lands needed by Firstwind for their proposed 350 megawatt wind farm that would generate \$4,000,000 to \$5,000,000 a year in lease rents Firstwind would pay back to the community to fund a variety of community needs.

Of course Mr. Nicholas sees the First Wind proposal differently, a proposal that he incorrectly characterized in a news article he wrote as one that "would provide no economic benefit to Molokai"

Folks like Mr. Chan and Mr. Nicholas talk tough but they don't hold the hammer anymore....they may think they do....but they don't.

Its time for GuocoLeisure, Mr. Chan and Mr. Nicholas to cooperate with government and our community to come up with a "win-win" situation that hopefully will result in the community purchasing the entire ranch property.

If Mr. Chan and Mr. Nicholas want to be made out to be the heroes for reconsidering their ill-conceived business plan and extending their cooperation....Ok fine.... let them be the heroes.

Hopefully a win-win situation can be negotiated between GuocoLeisure and our community. If it is, GuocoLeisure will be able finally unload its Molokai "headache"and Molokai can move on toward becoming a truly sustainable island community,

one which will set standards for the rest of the State and elsewhere in these troubled times throughout the world as a result of chaotic economic, environmental and population pressures.

P.S. Where is the Governor? She has been working overtime to purchase lands at Turtle Bay, which she described in her 2008 state of the state speech as the "real Hawaii". Yet she, or her Office of Planning Director Abbey Mayer, has not been willing to lift a finger to assist the Molokai community in its viable effort to purchase the entire Molokai Ranch property. If Turtle Bay is the "real Hawaii", how would the governor characterize Molokai?

Is the Governor willing to declare an emergency situation if the Ranch defies the PUC order and walks out on its responsibilities August 31 so that the Ranch's water systems and/or other assets can be seized in order to continue providing essential services for the public?

Maybe the Governor and/or Mr. Mayer will be in attendance at the July 15 PUC public hearing to shed some light on this alternative.

END

Failure of MPL Cannot be Blamed on the Opposition

Monday 3-31-08

Filed Under: Letters | Opinions | La'au Point

Molokai Properties Limited has been operating at a deficit for years – excluding land sales, more than \$41 million between 2001 and 2007, according to the La'au Point Draft EIS (p.114). Since 2003, financial support from MPL's parent company, GuocoLeisure Limited, seems non-existent, as "GuocoLeisure Limited [will not fund] its subsidiaries [MPL] for operational needs" (p.115). MPL operations for the past four years appear to have been supported only by real estate sales: "Between 2003 and 2007, MPL was able to sell enough land in order that it could fund its own operating cash requirements, capital needs, master planning, and entitlement costs" (p.115).

This appears to no longer be the case. The closing of Molokai Ranch indicates its operations are no longer self-sustaining, via real-estate sales or otherwise. Peter Nicholas states that "unacceptable delays caused by continued opposition to every aspect of the Master Plan means we are unable to fund continued normal company operations". He continues to say "without the prospect of an economic future for the company that results from the implementation of all facets of the Master Plan, we are unable to continue to bear large losses from continuing these operations".

However, the "delays" in starting the implementation of the La'au Point development and other "Master Plan" activities are procedural, and not due to unforeseeable, unexpected, or unreasonable opposition to "The Plan". A final EIS has yet to be completed, as well as numerous other proceedings needed to go forward with the project. These are required by law. MPL has (or should have) known the time needed for their completion at the outset of this project. They have nothing to do with the current financial standing of MPL.

MPL blames their current financial insolvency on opposition to La'au Point. Some people have been convinced enough to blame specific individuals vocal and visible in their opposition to MPL's plan, and who are pursuing other alternatives to it. However, blaming La'au opposition fails to acknowledge the actual reasons for MPL's financial woes – a history of operating deficits, depressed real-estate and lending industries worldwide, and a parent company unwilling to continue subsidizing non-performing investments.

The unemployment resulting from the closure of Molokai Ranch operations will have a ripple effect on individuals, families, and the community at large. Emotions will run high – this is evident from the comments posted on the Molokai community newspapers' websites. I am optimistic that unproductive blame and anger can be converted into support, collaboration, and innovation in moving forward with Molokai's future.

Keith Izawa

Molokai High c/o 1999

July 15, 2008

Public Hearing Before The Public Utilities Commission

Maunaloa, Molokai, Hawaii

Statements released, or approved for release, by Peter Nicholas President and Chief Executive Officer of Molokai Properties Limited (aka Molokai Ranch) during the last twelve months.

Mr. Nicholas is also Vice President of GuocoLeisure Limited and one of the company's top five members of the company's senior management team. He is reportedly earning over \$500,000 a year for his dual management role.



Peter Nicholas

GuocoLeisure Limited is a billion dollar, international investment company headquartered in Singapore, which owns 100% of Molokai Properties Limited.

Mr. Nicholas led everyone to believe that the implementation of the company's Master Plan, including its La'au Point development project, was important to his company's survival and the economic security of his employees.

However, on March 24, 2008, Mr. Nicholas issued a press release stating that the company had made a pure "business decision" to

shutdown operations and lay off all its employees.

The shutdown announcement came just three months after Mr. Nicholas approved a memo going out to company employees assuring them that the company was "committed to press on with this process and with the implementation of the Master Plan" and that there would be no layoffs as long as there were no "further delays in the Master Plan Implementation".

THERE WERE NO FURTHER DELAYS IN THE IMPLEMENTATION OF THE MASTER PLAN BETWEEN THE TIME MR. NICHOLAS APPROVED THE DECEMBER 3, 2007 MEMO GOING OUT TO COMPANY EMPLOYEES AND MR. NICHOLAS'S MARCH 24, 2008 PRESS RELEASE ANNOUNCING THAT THE RANCH WOULD BE SHUTTING DOWN AND LAYING OFF 120 EMPLOYEES.



Yet, Mr. Nicholas decided to shutdown anyway because his company had a new Master Plan for Molokai, one that was in the best interest of the GuocoLeisure shareholders, and a plan that required the company to unload its payroll expenses and also to and unload the operating costs of its utility operation onto County taxpayers or some other government or private entity.

The statements below are in chronological order and reflect how Mr. Nicholas and his management teams at Molokai Properties Limited and GuocoLeisure Limited misled the Molokai community and his company employees on Molokai



July, 2007: "My responsibility to employees, our Molokai Ranch family □ MPL employees. They worry about their futures every day, and while they face turmoil with opposition to the Master Plan, they believe in The Plan and can visualize their futures with confidence."



July, 2007: "The company, its directors and shareholders are committed to the implementation of the Master Plan....the re-opening of the Kaluakoi Hotel,... and most importantly, an economic future for the company's current staff and its ahupua'a community of Kaluakoi and Maunaloa."



July, 2007: "In the event the Master Plan is prevented from being implemented...MPL shareholders will no longer be interested in any other course of action but selling off the property in pieces; an avenue that creates the greatest return for its shareholders."

Nicholas went on to point out that if any community group tried to purchase all or part of Molokai Ranch's property, that group:

"would have to bid against other interested parties such as:

- The Military who have been interested in buying portions of La'au Point for training exercises involving amphibious and airborne landings.
- Russian millionaires who see the island's remoteness as a destination for parties and events that they can't hold in their own countries.
- Wind farm operators who want to build 100 wind turbines on the West End and supply power to Oahu, with little benefit to Molokai itself.
- An Asian syndicate interested in purchasing the Ironwoods golf course for their private and exclusive use.

Mr. Nicholas concluded the following threat:

"And don't think it wouldn't happen or that anyone could stop it"



September, 2007: "A key focus (for our company) was the preparation of a Final Environmental Impact Statement for the 200 subdivided lots at La'au Point on the island's southwestern shoreline prior to a hearing by the State Land Use Commission (November 15 and 16, 2007)"



October 2007 about the company filing its Final Environmental Impact Statement with the State Land Use Commission:

"We are excited about taking this important step forward toward approval of the La'au Point project."

"We knew that the process would be long and not without challenges. However, we have said from the beginning we wanted this EIS to be the best. I am confident the document will meet all the criteria for approval (by the State Land Use Commission at its scheduled November 15 and 16 hearing on Molokai)."



December 2007: "At our recent Land Use Commission hearing on the La'au Point project (held November 15 and 16, 2007 on Molokai)...we withdrew our proposed Final Environmental Impact Statement"

"...we thought it best to withdraw it and submit at a later date"

"Implementation of the Master Plan is the only sure way that MPL can survive in its current form"



December, 2007 (Memo to employees): "By calendar year end (December 2007), we will need to reduce labor costs by at least 10% to fund the current delays in the Master Plan implementation (caused by Molokai Properties withdrawing its Final Environmental Impact Statement from acceptance consideration by the Land Use Commission)."

"If there are any further delays in the Master Plan Implementation, we will be forced to implement more drastic cost reduction measures which may include complete closure of the Kaupoa Camp, the golf course and the implementation of a plan to begin the sale of land"



January 2008 Draft Environmental Impact Statement release by Mr. Nicholas:

“This draft environmental impact statement and all ancillary documents were prepared under my direction or supervision and the information submitted, to the best of my knowledge , fully addresses document content requirement (required under state law)”

“My personal mission is to balance my company’s interest with the interests of the Molokai community.”

“I have complete authority to act for my company (MPL-Molokai Ranch) an the parent company (GuocoLeisure Limited).”



March 24, 2008 Press release from Mr. Nicholas:

Molokai Properties Limited is to shutdown its operations on Molokai at the end of March, and will lay-off more than 120 staff

on the island over the following 60 days.

“The decision (to shutdown) is purely a business one”

“We deeply regret to have taken this step as the main impact will be on our loyal employees”



In a memo Mr. Nicholas authorized be sent to MPL employees just a few months earlier (December 2007), employees were given assurances there would be no further layoffs, others than those the company planned for at the end of 2007, as long as there were no further delays incurred by MPL in the implementation of its Master Plan and La'au Point project.

THERE WERE NO “FURTHER DELAYS”, YET MR. NICHOLAS DECIDED TO PULL THE PLUG ON COMPANY EMPLOYEES AND THE MOLOKAI COMMUNITY.



IF MR. NICHOLAS HAS THE COURTESY TO SHOW UP AT THE JULY 15 PUC MEETING, HOPEFULLY THE PUC COMMISSIONERS WILL REQUEST MR. NICHOLAS TO EXPLAIN WHAT "FURTHER DELAY" , IF ANY, MPL INCURRED THAT CAUSED MPL TO MAKE THE BUSINESS DECISION TO SHUTDOWN ITS OPERATIONS.



March 25, 2008 the day after Mr. Nicholas issued a press release to the media in Hawaii: Linda Hoon, who works for Mr. Nicholas as Molokai Properties Limited's Secretary, was ordered to issue the following press release to GuocoLeisure shareholders (Mr. Nicholas a Vice President of GuocoLeisure as well as President of Molokai Properties) giving the shareholders assurances not to worry about the shutdown of MPL's operations on Molokai....not a big thing and their investment would not be effected financially.

PRESS RELEASE

Announcement on Cessation of Operations of Molokai Properties Limited

GuocoLeisure Limited ("the Company" or "GL") hereby issues the attached statement in relation to its wholly owned subsidiary, Molokai Properties Limited ("MPL") today.

The Company wishes to advise that MPL is to cease its tourism

and other operations on Molokai Island, Hawaii at the end of March.

As a result of the decision, MPL will be shutting down and land-banking the company's assets on its 60,000 plus acre property.

Presently, the aforementioned cessation of operations of MPL is not expected to have any significant financial impact on GL Group for the financial year ending 30th June 2008.

Information About Molokai Properties Limited

Molokai Properties Limited, a wholly owned subsidiary of GL, owns approximately 60,000 acres or 40% of the Hawaiian island of Molokai which is located between the islands of Oahu and Maui.

LINDA HOON

Conclusion: Mr. Nicholas explained his initial intent for the Ranch's Master Plan in a letter to the Molokai community as follows: "My personal mission is to balance my company's interest with the interests of the Molokai community."



It appears as though Mr. Nicholas has decided to implement a new

Master Plan for Molokai Ranch, one that sacrifices the company's employees and is geared to punish the Molokai community by blocking any attempt by the community to move forward on a proactive basis following Mr. Nicholas's decision to shutdown all operations.

END

Molokai Ranch Barring Access to Records

Monday 7-14-08 BY: MOLOKAI DISPATCH STAFF

Filed Under: Business | Political

MPL wants to raise water rates 178%.

Molokai Dispatch Staff



It is reported that MPL employees were ordered to burn massive amounts of company files from Maunaloa offices shortly after the ranch announced its plans to shutdown operations. Policy makers have recently complained about impeded access to MPL's water records.

Figuring out how to continue water service to central and west Molokai users has remained difficult and frustrating for State and County policy makers who have not been provided access to necessary information.

A June 24 Maui County letter to the Public Utilities Commission (PUC) claims that only "sparse information" was provided by Molokai Properties Limited (MPL), also known as Molokai Ranch. It also reads that MPL was "not responsive to each of the PUC's requests (for information)."

While the threat of MPL's August water utility pullout looms ever closer County representatives are urging the PUC to "subpoena books, records, accounts, and witness testimony necessary for the PUC and the Consumer Advocate to determine whether rate increases are necessary and justified."

MPL's Chief Executive Officer Peter Nicholas recently advised the PUC that unless former ranch employees and other residents were willing pay a significant 178% increase in water rates, the MPL was going to walk away from its responsibility of providing service.

Based on the MPL's demands, Maunaloa and Kualapu'u residents would be forced to pay a staggering \$5.15 per 1000 gallons of water verses the current rate of \$1.85.

"We don't know what to expect from Molokai Ranch," said Catherine Awakuni, Executive Director of the Consumer Advocate Office, at a recent meeting on Molokai. "We don't know if they are going to be cooperative, uncooperative, if we are going to have to be subpoena... to get the information we need."



Norman Rizk
<nrizk@stanford.edu>
07/13/2008 03:40 PM

To Hawaii.PUC@hawaii.gov
cc
bcc
Subject MPU water rate increase and water availability

I am the owner of a home on Papohaku Ranchlands on Molokai and am writing you about the proposed rate increase for Molokai Public Utilities customers in the Papohaku Ranchlands. The proposal to raise rates in the Ranchlands by 40% is onerous, but there are other issues as well that are critical.. I urge you to advocate the County float a bond to rebuild the water infrastructure on Molokai. What concerns me most is that water is being used as a political weapon against "haoles". I urge you to follow a non-discriminatory policy, with water rates being equal for all parties on the island, without respect to their ethnic origin or place of birth. This is a fundamental property right and right as a citizen of the US.

The Molokai Ranch has said they intend to shut off the water on August 31st. Mayor Tavares has made it clear she does not want to assume providing water. The State is saying the County must pick it up, that it is a county function. **I urge you in the strongest possible terms to develop a contingency plan for August 31st, so that the County provides the service as soon as the Ranch shuts off the water.** I believe they will shut off the water and legal action against them will take time, and they are likely to declare bankruptcy to avoid liability. This must be resolved before August 31st or all of our properties will be worthless and lawsuits immediately will ensue. **There needs to be a provider to pick up the water in the interim period, while ultimate financial responsibility is being sorted out by the courts; this is not likely to be the Molokai Ranch after August 31st.**

Finally I have been active in putting together with other community members a tentative plan to lease the Kaluakoi Golf Course to reopen it under a non-profit umbrella. This will provide much needed employment and is a resource for all of Molokai's residents. This can only happen if the water rates do not rise to onerous levels. What is needed is more infrastructure and holding facilities- not higher rates or a disastrous interruption of service. Molokai needs re-development in a sensitive fashion. a scenario only possible with adequate water provision to the West End. Failure to provide adequate water will permanently condemn the island to poverty and dependence on public assistance, rather than allowing it to be an exceptional Hawaiian place.

Please help us out - we're relying on you.

Norman Rizk

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(650) 724-1798 and destroy all copies of this communication and any attachments

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"Teves, Glenn"
<TevesG@ctahr.hawaii.edu>
07/17/2008 02:03 PM

To <Hawaii.PUC@hawaii.gov>
cc
bcc
Subject Testimony regarding MPL Rate increase

Aloha,

Attached is a copy of testimony regarding the PUC hearing on a Rate Hike for MPL.

Mahalo,



Glenn Teves pucmpl708.doc

Glenn I. Teves
P.O. Box 261
Kualapu'u, HI 96757

July 17, 2008

TO: State Public Utilities Commission

FROM: Glenn I. Teves

RE: TESTIMONY REGARDING MPL RATE INCREASE

The recent turn of events creates more questions than answers. The first question is who initiated this rate request? If PUC initiated it, they may be setting a precedent. There are two basic problems with the MPL operations, both of which you may already know. MPL and its predecessor, Molokai Ranch has been delivering substandard water to west Molokai for decades. In the early 1980's I lived in Maunaloa town where the water looked like iced tea. A sign would be posted at the Maunaloa Store by the DOH stating that, "For the last quarter, this water did not pass safe drinking water standards for turbidity and microbiological count." When confronted by regulatory agencies, both Molokai Ranch and MPL threatened to shut down or more recently, walk away. This has been their *modus operandi* for a long time.

Part of the recent problem can be traced to the regulatory agencies, including PUC, who entered into contracts and agreements with LLC's instead of the company with the deep pockets. The Department of Agriculture is presently involved in negotiations with MPL over a transmission agreement to transport water from Well 17 to Mahana then on to Puu Nana. Hawaiian Home Lands farmers from Hoolehua, including myself took it upon ourselves, to review the latest proposed contract from DOA, comparing it to previous contracts with other entities in the same agreement. One of the glaring points we brought up to DOA was not to negotiate with an LLC, since it was too easy for them to walk away from the agreement. Also, they wouldn't be able to pay penalties for non-compliance of the contract. This contract has yet to be consummated, and will probably end up in litigation so Hawaiian Homesteaders, such as myself, can protect our first rights to water.

MPL is bailing out for a reason. Some may say its vindictiveness, but the real reason is to save money by avoiding litigation costs. In order for MPL to operate these two water systems, they need to complete an Environmental Assessment since their water is crossing state land. A worst-case scenario would be to conduct a full-blown EIS which they hoping to avoid. The second is an application to the State Commission on Water Resource Management for a water allotment. This application will surely be challenged by Hawaiian Homesteaders to protect their first rights to water. Although MPL has a water source, they don't have an approved allotment of water from that well because they failed to apply for an allotment in a timely manner, as mandated by the State Water Code.

The water allotment application to CWRM will probably end up in the State Supreme Court. The last decision on this application took 10 years.

MPL has made no attempt to operate their water systems more efficiently. In fact, they continue to utilize former pineapple infrastructure from Libby, Del Monte and Dole as the backbone to their system. Most of these companies left Molokai over 30 years ago. Leaky pipes are the norm and MPL has been in no rush to fix them. For example, a leak reported to them last November in the Molokai Agricultural Park continues to leak. In fact, no one knows how much water they're using on a daily basis since they co-mingle to water systems between their two water purveyors.

It maybe beyond the purview of the PUC, but some state agency needs to force them to bring their systems up to compliance, and also in good operating conditions. The present system is a farce. Following the water from Well 17 to Puu Nana is one example. MPL takes perfectly clean potable water from Well 17 and dumps it into a 124 acre open reservoir full of tilapia and snails which is then transported to Mahana then pumped to Pu'u Nana where its cleaned and treated. They usually waste about 50,000 gallons daily, or the equivalent to one-days water for the entire Maunaloa Town.

There are also numerous leaks at Kaluakoi, along the road all the way to Kaupoa. MPL, being a foreign entity, can walk away from the system if they don't get what they want. This is a prime example of a ruthless, vindictive developer who will screw over the people, the state, and the county if they don't get their way. With a threat of eminent domain and condemnation of land, the state must force them to bring all their infrastructure up to standard or impose an injunction to prevent them from selling any on Molokai. This would include roads, fire hydrants, etc. Furthermore, the state should hold lands as collateral to prevent MPL from fleeing the state as they have threatened to do.

In closing, I hope the PUC will do the right thing and subpoena all their records. This is the only way the PUC can get a fair assessment of these two water companies owned by MPL. If you have any questions, feel free to call my cell at 658-0794. Mahalo



"Herb Moniz"
<herbmoniz@sbcglobal.net>
07/15/2008 04:39 AM

To <Hawaii.PUC@hawaii.gov>
cc
bcc
Subject FW: Docket No. 2008-0115 Molokai Public Utilities,
Inc.(MPU), Wai'ola O Moloka'i, Inc.(Wai'ola). and Mosco,
Inc(Mosco) for Temporary Rate Relief

From: Herb Moniz [mailto:herbmoniz@sbcglobal.net]

Sent: Tuesday, July 15, 2008 7:34 AM

To: 'Hawaii'

Subject: Docket No. 2008-0115 Molokai Public Utilities, Inc.(MPU), Wai'ola O Moloka'i, Inc.(Wai'ola). and Mosco, Inc(Mosco) for Temporary Rate Relief

PUBLIC UTILITIES COMMISSION of the STATE OFF HAWAII

Carlito P. Callboso, Chairman

Commissioners,

As property owners of Lot 377 Papohaku Ranch Land, Maunaloa, Hawaii 96770 we support the proposed TEMPORARY rate increase for MPU and Wai'ola in order to ensure the continued operation of MPU, Wai'ola and Mosco until a third party is able to take over the utilities' systems. Please keep us advised of the deliberations and proceedings of the Commission on this matter. Thank you, respectfully submitted, Herb Moniz, J. Christian Truebridge and Steve Savage 45-623 Halekou Rd., Kaneohe. Hawaii 96744

Steve Morgan

Submission of Testimony to the Public Utilities Commission

Issue of Molokai Public Utilities Rate Hike - Submitted July 14, 2008

Previous PUC Hearing

I was involved with the last PUC hearing in which Molokai Ranch requested a price increase. In response to this I gathered and organized approximately thirty west end landowners to formally challenge this increase. It was our intention to not only review the accounting practices of the MPU system but to also thoroughly inspect the management and physical properties of the system.

The attorney we hired for this process was Bill Milks, a former PUC Chairman with a great deal of experience in this area. Upon a one day visit to Molokai, Mr. Milks immediately noted the following discrepancies within the MPU water system:

- 1) Numerous large-scale leaks that appeared as though they had been unattended for some time. This was evident by the erosion and vegetation in the area
- 2) Excessive water loss as a result of the transfer of water through the MIS (as opposed to being directly transported from Well #17). Because of the excessive contamination of the water, excessive filtering was required with 50,000 to 100,000 gallons a day being lost.
- 3) Abandonment and disrepair of Ag water lines which were required for the initial permitting of Ag residential parcels in Papohaku Ranchlands and Moana Makani.
- 4) Extremely high Cost of energy in operating the MPU system-

In regard to #4 Mr. Milks recommended that serious consideration be given to the generation of power through alternative energy sources such as windmills, hydro turbines, etc.

It is interesting that this recommendation came at a time when energy costs were considerably lower than what they are now. Despite these recommendations, Molokai Ranch has been continuously outspoken in opposition to windmills on Molokai and has made no efforts to explore other alternative resources of energy.

Consumer Advocate

In the course of the previous PUC hearing, Mr. Milks had requested that our group of West End land owners be recognized as the "Opposing Party" in this case. However, once the Consumer Advocate got involved, the PUC made the decision to give the Consumer Advocate that position and reduced our position to "Participant" As Participant our group was only allowed to submit a final statement and was reduced in its ability to do any real investigation into the physical properties of the system. In the end the Consumer Advocate did an excellent job reviewing the accounting practices of Molokai Ranch but did absolutely no investigation into the management operations or any physical assessment of the system.

Review Molokai Ranch Property Tax Assessments

One recommendation that I made before Mayor Tavares and Councilman Mateo is to consider reevaluating the Property tax assessments of Molokai Ranch as a possibility of raising revenue to bring the water systems up to par. It seems that Molokai Ranch has been receiving extraordinary benefits in what it pays.

In contrast to condo owners at "West Molokai Resort" who pay an average of \$2500 annually for units zoned as hotel/ resort, Molokai Ranch pays approximately \$300 for identical units.

The total tax bill in 2007 for Kaluakoi Pool Side (Kaluakoi Hotel) was accessed at \$46, 676. Included in this TMK are a total of 12 apartment type buildings consisting of 12 units each = 144 units. Also within this TMK are an additional 8 units for workers, one restaurant and 3 stores.

Once serving as a part a part of the hotel, the units at West Molokai Resort are identical to the units at Kaluakoi Pool Side. The values of these units are based on relative comps in the area, not whether or not the units are abandoned. Despite this, the owners of West Molokai resort are paying more for one apartment building than what Molokai Ranch is paying for all twelve of their apartment buildings. In conclusion, if Molokai Ranch's hotel/ resort tax assessments were taxed accordingly to that of what private owners are paying, the revenue would be more than enough to cover the current losses being experienced by Molokai Ranch in its water utilities.

Also it should be noted that Molokai Ranch is no longer in the farming or ranching business. Despite this, they are receiving substantial benefits in tax reductions for their agricultural lands. One of many examples of this includes TMK# 510020350000 a 6,300 acre agricultural parcel in which Molokai Ranch only pays \$602. annually.

MCSC -taking on West End Water System

I believe that serious consideration should be given to the idea of MCSC assuming control of the West End Water Utilities. It seems to me that this may be the most suitable entity as far as it's potential of bridging cultural and preservation issues, providing business opportunities and the ability to mediate the legal issues that are in place in regard to the MIS and well #17 Supreme Court Case.

If you have any further questions feel free to contact me by phone at 336-1085 or e-mail Dpeace2you@aol.com

Mahalo,

Steve Morgan/ Kaluako'i

Testimony of DeGray Vanderbilt
Before the Hawaii Public Utilities Commission
July 15, 2008 at Maunaloa School, Maunaloa, Molokai at July 8, 2008
PUC Docket umber: 2008-0115

Welcome to Molokai Commissioners.

It is really gratifying to see the entire Commission taking the time to come to Molokai and listen to the concerns of our island community. In other PUC jurisdictions, many times a hearing officer will be sent to represent the Commission at public hearings, especially those that are held in hard to get to places.

So thank you for being here with us today.

My name is DeGray Vanderbilt. I am a 30-year resident of Molokai.

I recently stepped down as Chairman of the Molokai Planning Commission. I am a member of the Molokai Water Working Group that is advisory to the State Commission on Water Resource Management. I am a member of the Molokai Chamber of Commerce, and a Director for the Statewide Hawaii Rural Development Council.

I also spent three years as a member of the Molokai Enterprise Community's Land Use Committee, which worked in concert with Molokai Properties Limited (aka Molokai Ranch) to develop the Master Land Use Plan for Molokai Ranch.

I am testifying before you today as a concerned individual.

Today, I would like to try and shed some light on the intentions that are really behind the Ranch's threatened shutdown of its utility services, as well as, try to explain what stimulated the Ranch's "business decision" to shutdown its other operationsan arbitrary decision that was contrary to assurances Mr. Nicholas and Ranch management

had given to Ranch employees a few months earlier that the Ranch would not shut down unless certain events took place...and those events never took place.

We've been told that Molokai Ranch owns six utility companies which provide essential water delivery and wastewater disposal service to residents at the Kaluakoi resort, Maunaloa Town, Kualapuu Town and Kipu.

The two utility companies providing water are losing about \$450,000 a year according to Ranch Chief Executive Officer Peter Nicholas.

Mr. Nicholas says the sewage treatment plant serving residents at the Kaluakoi resort is profitable according to figures he provided to the state Public Utilities Commission (PUC).

Mr. Nicholas has failed to provide detailed financial operations on the remaining three utility companies, two that provide wastewater service for Maunaloa and Kualapuu and one which is the Ranch's Mountain Water System.

Does he want to hang on to the three unregulated utilities, or what?

Mr. Nicholas is currently threatening government officials and residents of our community that if someone doesn't take over the operation of his company's utility operations by the end of August (less than 60 days from now) he is going to pick up his marbles and go home and leave government.... and our community to clean up any mess caused by the Ranch irresponsible, self-serving bailout scheme.

Mr. Nicholas says his company has no more money to fund Molokai operations, yet I understand that the Ranch still maintains offices in the high rent district of downtown Honolulu.

So what do the PUC Commissioners do? They do something unprecedented. Generally, when a company like Molokai Ranch needs a utility rate increase, it is the company that applies for the increase to the PUC....not the PUC applying for a rate increase on behalf the company.

In the Molokai Ranch case, the PUC Commissioners initiated a temporary rate increase which. If approved, will result in Maunaloa and other Molokai residents coughing up an additional \$445,000 to the Ranch for water, assuming it will take at least a year to resolve the utility fiasco in a fair and reasonable manner.

So maybe you'd think Mr. Nicholas would say, "thank you very much Mr. PUC Commissioners...now let's work together and resolve this important issue."

Not Mr. Nicholas.

Mr. Nicholas instead told the PUC Commissioners that his company would not deter him from closing down at the end of August. He then fired back a counter offer saying that he wanted Maunaloa, Kualapuu and other Molokai residents to pay the Ranch at least double what the Commissioners proposed before he would consider keeping the utility companies in operation.

You got to give the guy credit, he keeps selling his "tough guy" image even though few in the public are taking his ranting seriously.

Molokai Ranch has access to all the money it needs to operate the utilities. The company can chose to sell off some of its 60,000 acres, which Mr. Nicholas claimed could be worth as much as \$800,000 million dollars, or he could talk to the foreign corporation that owns the Ranch (the sale of just one of the many Papohaku Ranchlands 15-plus acre lots the Ranch owns at the Kaluakoi resort will cover the utility companies' negative cash flows...each lot worth at least \$400,000)

Molokai Ranch is 100% wholly-owned subsidiary of a billion dollar foreign company based in Singapore called GuocoLeisure Limited (formerly BIL International). Certainly the Ranch's parent company can chip in a little something to help out.

Yet, Mr. Nicholas says there is no money.

In its most recent 2007 company annual report, GuocoLeisure describes itself as (quote) "an international investment company headquartered in Singapore. *The Company's primary role is as an active investor with strategic shareholdings and active investment management aimed at extracting and maximizing shareholder value.*"

Remember these words, *"The Company's primary role is....aimed at extracting and maximizing shareholder value."*

This is what this whole Molokai Ranch shutdown and utility company bail out plan is all about *"extracting and maximizing"* the value of the company's Molokai investment for the sole benefit of GuocoLeisure shareholders without regard, and I repeat, without regard to consequences suffered by the Molokai community as GuocoLeisure attempts to implement its new, self-serving business plan.

In addition to serving as Molokai Ranch's top gun, Mr. Nicholas is also listed in GuocoLeisure's latest annual report as one of GuocoLeisure's five "senior management" people.

Mr. Nicholas is allegedly making over \$500,000 in his dual role as a Vice President for GuocoLeisure and Chief Executive Officer of Molokai Ranch.

GuocoLeisure's head honcho is a man by the name of Mr. Quek Leng Chan. He is Executive Chairman of GuocoLeisure and according to a recent commentary by Howard Dicus, one of Hawaii's most respected business reporters, Howard Dicus, Mr. Chan is worth an estimated \$2.9 billion dollars.

He is allegedly the 314th richest man in the world and the sixth richest in Malaysia.

\$2.9 billion dollars, that's a lot of zeros, that's a lot of "dollars". In fact, Mr. Chan is not only a millionaire, he is a millionaire 2,900 times over.

We're talking serious, big time money here, and yet the County of Maui, the State, the PUC and residents in our community are expected to believe that Mr. Nicholas, Mr. Chan and their profitable, billion dollar company, are not able to come up with enough money to run a few utility companies on Molokai?

So why am I bringing up all those big dollars Mr. Nicholas and Mr. Chan are taking down and the billion dollar net worth of GuocoLeisure?

For one reason.

There seems to be an obvious, simple solution to this whole utility shutdown hoax being played on our community by Mr. Nicholas and Mr. Chan.

Let's assume Mr. Nicholas is earning \$500,000 and the Ranch's three regulated utilities are experiencing a net negative cash flow from operations of approximately \$400,000 each year. (one of the three companies MOSCO is actually making money).

The solution is to write one letter to Mr. Chan and suggest that he fire Mr. Nicholas on the spot, for purely business reasons, the same reasons Mr. Nicholas gave for shutting down the Ranch's operations and giving all the company employees their walking papers.

Next take the \$500,000 freed up by Mr. Nicholas's departure and apply those funds to cover the \$400,000 annual cash flow deficits incurred by the Ranch's utility.

Case closed and everyone can go home and relaxes and life goes on and Mr. Chan has an extra \$100,000 to put in his already extremely deep pockets.

If that doesn't work, then call Mr. Nicholas on his threat to pull out by the end of August if someone doesn't take over its utility companies.

The PUC has ordered Molokai Ranch not to pull the plug on its utility services at the end of August. If the Ranch defies the PUC's order, the law provides for the PUC to bring criminal charges and levy fines up to \$25,000 a day....that's \$9,000,000 a year if the Mr. Nicholas and Mr. Chan continue to play hardball with folks in Hawaii and refuse to get their act together.

No one will have their water shutoff because the state and the County can come in and immediately seize the Ranch's utility assets for emergency reasons and continue essential services for the public, especially if the Ranch is in contempt of an order from the PUC.

Meanwhile, the fines will be mounting up (\$9,000,000 a year), and the PUC can place a lien on the Ranch's land and other assets in order to collect what is owed. Whether the MPI officials receive any jail time for their contempt of a PUC order is unknown at this time.

It's likely that Mr. Chan would prefer to avoid this scenario, which would result in some unwanted, embarrassing media publicity. What would he tell his shareholders in GuocoLeisure annual report, which is due to be published in a couple of months.

Mr. Chan issued a comforting press release recently (see company website) to GuocoLeisure shareholders downplaying the Ranch's total shutdown by stating the following:

"The Company wishes to advise that Molokai Ranch is to cease its tourism and other operations on Molokai Island, Hawaii at the end of March.

As a result of the decision, Molokai Ranch will be shutting down and land-banking the company's assets on its 60,000 plus acre property.

Presently, the aforementioned cessation of operations of MPL is not expected to have any significant financial impact on GL Group for the financial year ending 30th June 2008. **END OF PRESS RELEASE**

You heard it right the Molokai Ranch shutdown "is not expected to have any significant financial impact on GL Group for the financial year ending 30th June 2008."

Thank you very much Mr. Chan.....glad to hear your company shareholders won't be impacted by the Ranch's shutdown.

So why did Mr. Nicholas abruptly announce that the Ranch was shutting down after assuring employees a few months earlier that there would be no drastic layoffs unless there were "further delays" in the Ranch implementing its Master Plan, including the development of La'au Point. (there were no further delays).

Was the Ranch in terrible financial condition?

Not if you read the rosy picture Mr. Chan was painting of his company's Molokai investment to GuocoLeisure shareholders.

In last year's GuocoLeisure's annual report shareholders were told that the company's Molokai investment (and I quote) *"continued to remain cash positive through the sale of non-strategic" subdivided land. The company also sold a large parcel of agriculture land to Monsanto.*"

So where did the money from the Monsanto big sale go? What was the sale price?

According to Pacific Business News, Monsanto recently paid over \$31 million dollars for 2,300 acres of agricultural land on Oahu. Monsanto's local business manager, Terry Miller, said 1,600 acres are suitable for farming and the remaining 700 acres are slated to remain as open space.

\$31,000,000 for 1,650 acres of useable farm land is \$19,375 per acre Monsanto paid for the Oahu farmland.

According to the Star Bulletin article reporting the Monsanto sale, MPL provided 1,200 acres of useable farm land to the corn research company. At \$19,375 that would mean MPL pocketed \$23,250,000.

This would cover MPL's \$3.5 million operation losses for almost seven (7) years.

Mr. Nicholas authored a piece in the local newspapers in which he referenced the following to give people what land is worth to MPL and the GuocoLeisure shareholders:

"People should also look to the recent sale of land at the East End to the Maui Coastal Land Trust at \$14,000 an acre. Multiply that by 60,000 plus acres and its \$840 million! Mr. Nicolas was referring to 168 acres of agricultural land that recently was sold by Kainalu Ranch.

If MPL received \$14,000 acres for the 1,200 acres of useable farm land it sold to Monsanto that would resulted in a \$ 16,800,000 sale. And that amount would have covered MPL's annual \$3.5 million dollar operation losses for almost another five years.

So what did Nicholas get from Monsanto and where did all the money go? Why did the Ranch have to shut down so abruptly? Mr. Nicholas said the decision to shut down was purely a "business decision".

Was sacrificing the company employees worth the anticipated windfalls MPL hopes to gain from its newly employed business strategy?

SO WHERE DID ALL THAT MONEY GO. IF APPLIED TO MPL OPERATIONS, THERE WOULD HAVE BEEN NO REASON TO SHUTDOWN. THE COMPANY COULD HAVE REMAINED CASH FLOW POSITIVE FOR ANOTHER 3 TO 6

YEARS ON THE MONSANTO SALE ALONE.?

Possibly the PUC Commissioners could ask MPL's representative to explain the details of the MPL land deal with Monsanto.

If there is a Monsanto representative here today possible that person could explain the details of the MPL/Monsanto land deal. It seems that the press is able to publish information about Monsanto's land deals elsewhere in the state, why is everything such a secret on Molokai.

Back to the GuocoLeisure annual reports.

As in 2007, GuocoLeisure's 2005 and 2006 annual reports also touted the company's Molokai investment as "continuing to remain cash positive".

In the 2006, shareholders were treated to more positive news about their company's Molokai investment with the following from the company's annual report: *"Both occupancy and revenue per available room for the company's two existing tourist establishments, the luxury 22-room Molokai Lodge and the 40-tent platform Beach Village improved significantly over the previous year."*

I'm not making this stuff up. These quotes are right from the GuocoLeisure annual financial reports on the company's website.

So with the big land sales and increase tourism activity, why isn't there any money to continue operating the utilities..... and in light of all the glowing information shared with GuocoLeisure shareholders about the company's Molokai investment...then why did the Ranch shut down operations in the first place?

Peter Nicholas wrote a commentary in the paper in which he stated: "...since January 2006, MPL has sold minimal amounts of property in order to fund its losses and stay cash

positive”

The obvious questions is why can't MPL continue that practice, which is the same strategy employed by other landowner/real estate/development companies such as Maui Land and Pine, Dole Company and Alexander and Baldwin to name a few.

GuocoLeisure Vice President Peter Nicholas said it was purely “a business decision” to shutdown. As I stated earlier in my testimony, GuocoLeisure claims to base its “business decisions” on how best to extract and maximize value for GuocoLeisure shareholders as noted in its most recent annual report..

If you read the GuocoLeisure 2007 annual report closely, it includes a statement made by Mr. Chan, the company's Executive Director, which may be a tip off on what the company had up its sleeve for Molokai.

Mr. Chan wrote, “During 2007, GuocoLeisure continued to maximize value for its Molokai Ranch investment. We will continue to focus on operational deficiencies and improve cash flow for our investment.”

Mr. Chan and Mr. Nicholas were not born yesterday. GuocoLeisure's new business plan for Molokai was an easy one for these two corporate guru's to dream up.

Both Mr. Chan, and his corporate sidekick Mr. Nicholas, have been keenly aware of the pending economic slowdown forecast for Hawaii.

What better way to fulfill Mr. Chan's goals to “maximize value” of the company's Molokai Ranch investment, deal efficiently with “operational deficiencies” and “improve cash flow” than to shutdown Ranch operations completely and wait along the sideline for better economic times to come around.

By shutting down, the company automatically “maximized value” by eliminating all

expenses and land banking its lands while awaiting better economic times..

You don't have to be a rocket scientist to understand the best way to resolve the Ranch's "operational deficiencies" would be to just shutdown those operations.

What better way to "improve cash flow" than to shutdown and get rid of the Ranch's largest expense.....payroll.

And that's the thinking that appears to have gone into Mr. Chan and Mr. Nicholas "pure business decision" to abruptly shut down Ranch operations.

And as concluded the company press release sent to GuocoLeisure shareholders, they would feel no financial impact from the Ranch shutdown.

The Ranch would land bank its 60,000 acres of landholdings and have very little carrying costs while it waited for better economic times to reap higher land sale values.

And by some chance the Ranch is able to complete its scheme to have the County to be responsible for delivering water to Ranch properties, the value of those properties will automatically increase in value substantially....why?.... because the "uncertainty" about water availability, which was an issue with the Ranch in charge, would be gone with the County running the show.

As noted in the PUC's recent Decision and Order, Molokai Ranch would prefer to have the County take over its utility operations.

As Mr. Nicholas said, the Ranch shutdown was decided on purely for business reasons.

The PUC, Consumer Advocate and County should look at resolving the mess created by the Ranch by applying also "business reasons".

Let Mr. Nicholas and his company walk away August 31 and then bring the hammer down on the Ranch and its parent company, GuocoLeisure Limited.

Mr. Chan is a well known international gambler and has got to know his threat to walk at the end of August is a bluff that could cost him to lose a lot of chips that his company would not welcome losing at this time.

Mr. Chan would also inherit a lot of unfavorable publicity for his large international company putting the screws to our small island community.

If the County, or anyone else is willing to take over Molokai Ranch's responsibilities to deliver water and wastewater service, it is going to at least a year, or more, before anyone is able to complete the due diligence necessary to understand what they are getting themselves into.

Ranch management allegedly continues to claim its utility systems are "up to County standards". Anyone living on the west end know this is about as far from the truth as you can get.

At the Kaluakoi resort alone, one half of the resorts dual water delivery system is totally inoperable. Possible the PUC Commissioner could inquire of MPL's representative at the July 1 hearing as to what the company plans to do about this major deficiency.

If the State or County should invest to get the Ranch off the hook, demands should be made for the Ranch to stop holding our community hostage.

The Ranch should be required to sell of lands such as the Kaluakoi hotel and/or the "non-strategic" lands needed by Firstwind for their proposed 350 megawatt wind farm that would generate \$4,000,000 to \$5,000,000 a year in lease rents Firstwind would pay back to the community to fund a variety of community needs.

Of course Mr. Nicholas sees the First Wind proposal differently, a proposal that he incorrectly characterized in a news article he wrote as one that "would provide no economic benefit to Molokai"

Folks like Mr. Chan and Mr. Nicholas talk tough but they don't hold the hammer anymore....they may think they do....but they don't.

Its time for GuocoLeisure, Mr. Chan and Mr. Nicholas to cooperate with government and our community to come up with a "win-win" situation that hopefully will result in the community purchasing the entire ranch property.

If Mr. Chan and Mr. Nicholas want to be made out to be the heroes for reconsidering their ill-conceived business plan and extending their cooperation....Ok fine.... let them be the heroes.

Hopefully a win-win situation can be negotiated between GuocoLeisure and our community. If it is, GuocoLeisure will be able finally unload its Molokai "headache"and Molokai can move on toward becoming a truly sustainable island community, one which will set standards for the rest of the State and elsewhere in these troubled times throughout the world as a result of chaotic economic, environmental and population pressures.

P.S. Where is the Governor? She has been working overtime to purchase lands at Turtle Bay, which she described in her 2008 state of the state speech as the "real Hawaii". Yet she, or her Office of Planning Director Abbey Mayer, has not been willing to lift a finger to assist the Molokai community in its viable effort to purchase the entire Molokai Ranch property. If Turtle Bay is the "real Hawaii", how would the governor characterize Molokai?

Is the Governor willing to declare an emergency situation if the Ranch defies the PUC order and walks out on its responsibilities August 31 so that the Ranch's water systems

and/or other assets can be seized in order to continue providing essential services for the public?

Maybe the Governor and/or Mr. Mayer will be in attendance at the July 15 PUC public hearing to shed some light on this alternative.

END

ATTACHED EXHIBITS:

EXHIBIT A: List of officers and directors of Molokai Properties and its utility companies.

EXHIBIT B Summary of statements and actions attributed to MPL CEO President Peter Nicholas that are contradicting and seem in conflict with MPL's threatened shutdown of its utility companies.

EXHIBIT A - Testimony of DeGray Vanderbilt, Molokai resident at July 15, 2008 hearing before the Public Utilities Commission
Held at Maunaloa School, Molokai - DOCKET 2008-0115 - Information from State Business Registration Office

<u>MASTER NAME/ADDRESS</u>	<u>AGENT NAME/ADDRESS</u>	<u>INCORPORATED</u>	<u>OFFICERS AND DIRECTORS</u>	<u>DATE</u>
MOLOKAI PROPERTIES LIMITED 745 Fort Street Mail, Suite 600 Honolulu, Hawaii 96813	MRL MANAGEMENT LIMITED 745 Fort Street Mail, Suite 600 Honolulu, Hawaii 96813	Hawaii, USA	John Sabas, Vice President Daniel Orodnenker, Secretary Dennis Ikeda, Treasurer Peter Nicholas, Director * Roy Sugiyama, Vice Pres/Director Linda Siew Kim Hoon, Director **	5-Nov-07 5-Nov-07 5-Nov-07 5-Nov-07 5-Nov-07 5-Nov-07
MRL MANAGEMENT LIMITED 745 Fort Street Mail, Suite 600 Honolulu, Hawaii 96813	DANIEL ORODENKER 745 Fort Street Mail, Suite 600 Honolulu, Hawaii 96813	Hawaii, USA	Johan Sabas, Vice President Daniel Orodnenker, Secretary Dennis Ikeda, Treasurer Peter Nicholas, Director Roy Sugiyama, Vice Pres/Director	5-Nov-07 5-Nov-07 5-Nov-07 5-Nov-07 5-Nov-07
MOLOKAI PUBLIC UTILITIES 745 Fort Street Mail, Suite 600 Honolulu, Hawaii 96813	MRL MANAGEMENT LIMITED 745 Fort Street Mail, Suite 600 Honolulu, Hawaii 96813	Hawaii, USA	Peter Nicholas, President/Director Roy Sugiyama, Vice Pres/Director Daniel Orodnenker, Secretary Dennis Ikeda, Treasurer	1-Oct-06 5-Nov-07 5-Nov-07 5-Nov-07
WAI'OLA O MOLOKAI 745 Fort Street Mail, Suite 600 Honolulu, Hawaii 96813	MRL MANAGEMENT LIMITED 745 Fort Street Mail, Suite 600 Honolulu, Hawaii 96813	Hawaii, USA	Peter Nicholas, President/Director Roy Sugiyama, Vice Pres/Director Daniel Orodnenker, Secretary Dennis Ikeda, Treasurer Roy Sugiyama, Director	1-Jul-03 1-Jul-07 1-Jul-07 1-Jul-07 1-Jul-07
MOSCO, INC. 745 Fort Street Mail, Suite 600 Honolulu, Hawaii 96813	MRL MANAGEMENT LIMITED 745 Fort Street Mail, Suite 600 Honolulu, Hawaii 96813	Hawaii, USA	Peter Nicholas, President/Director Roy Sugiyama, Manager/Director Daniel Orodnenker, Secretary Dennis Ikeda, Treasurer	1-Jul-07 1-Jul-07 1-Jul-07 1-Jul-07

* Peter Nicholas is also President and Chief Executive Officer of Molokai Properties Limited, doing business as Molokai Ranch, as well as, a Vice President of Guocolleisure Limited. Molokai Properties is a wholly owned subsidiary of Guocolleisure Ltd.

** Linda Hoon is also Secretary for Guocolleisure Limited, a foreign based investment company headquartered in Malaysia

All of the above companies are engaged in inter-related business activities.

**July 15, 2008: Public Hearing Before The Public Utilities Commission,
Maunaloa, Molokai, Hawaii**

EXHIBIT B to testimony of Molokai resident, DeGray Vanderbilt

Statements released, or approved for release, by Peter Nicholas
President and Chief Executive Officer of Molokai Properties
Limited (aka Molokai Ranch) during the last twelve months.

Mr. Nicholas is also Vice President of GuocoLeisure Limited and
one of the company's top five members of the company's senior
management team. He is reportedly earning over \$500,000 a year
for his dual management role.



Peter Nicholas

GuocoLeisure Limited is a billion dollar, international investment
company headquartered in Singapore, which owns 100% of
Molokai Properties Limited.

Mr. Nicholas led everyone to believe that the implementation of
the company's Master Plan, including its La'au Point development
project, was important to his company's survival and the economic
security of his employees.

However, on March 24, 2008, Mr. Nicholas issued a press release
stating that the company had made a pure "business decision" to
shutdown operations and lay off all its employees.

The shutdown announcement came just three months after Mr. Nicholas approved a memo going out to company employees assuring them that the company was "committed to press on with this process and with the implementation of the Master Plan" and that there would be no layoffs as long as there were no "further delays in the Master Plan Implementation".

THERE WERE NO FURTHER DELAYS IN THE IMPLEMENTATION OF THE MASTER PLAN BETWEEN THE TIME MR. NICHOLAS APPROVED THE ECEMBER 3, 2007 MEMO GOING OUT TO COMPANY EMPLOYEESS AND MR. NICHOLAS'S MARCH 24, 2008 PRESS RELEASE ANNOUNCING THAT THE RANCH WOULD BE SHUTTING DOWN AND LAYING OFF 120 EMPLOYEES.



Yet, Mr. Nicholas decided to shutdown anyway because his company had a new Master Plan for Molokai, one that was in the best interest of the GuocoLeisure shareholders, and a plan that required the company to unload its payroll expenses and also to and unload the operating costs of its utility operation onto County taxpayers or some other government or private entity.

The statements below are in chronological order and reflect how Mr. Nicholas and his management teams at Molokai Properties Limited and GuocoLeisure Limited misled the Molokai community and his company employees on Molokai



July, 2007: "My responsibility to employees, our Molokai Ranch family □ MPL employees. They worry about their futures every day, and while they face turmoil with opposition to the Master Plan, they believe in The Plan and can visualize their futures with confidence."



July, 2007: "The company, its directors and shareholders are committed to the implementation of the Master Plan....the re-opening of the Kaluakoi Hotel,... and most importantly, an economic future for the company's current staff and its ahupua'a community of Kaluakoi and Maunaloa."



July, 2007: "In the event the Master Plan is prevented from being implemented...MPL shareholders will no longer be interested in any other course of action but selling off the property in pieces; an avenue that creates the greatest return for its shareholders."

Nicholas went on to point out that if any community group tried to purchase all or part of Molokai Ranch's property, that group:

"would have to bid against other interested parties such as:

- *The Military who have been interested in buying portions of La'au Point for training exercises involving amphibious and airborne landings.*
- *Russian millionaires who see the island's remoteness as a destination for parties and events that they can't hold in their own countries.*
- *Wind farm operators who want to build 100 wind turbines on the West End and supply power to Oahu, with little benefit to Molokai itself.*
- *An Asian syndicate interested in purchasing the Ironwoods golf course for their private and exclusive use.*

Mr. Nicholas concluded the following threat:

"And don't think it wouldn't happen or that anyone could stop it"



September, 2007: "A key focus (for our company) was the preparation of a Final Environmental Impact Statement for the 200 subdivided lots at La'au Point on the island's southwestern shoreline prior to a hearing by the State Land Use Commission (November 15 and 16, 2007)"



October 2007 about the company filing its Final Environmental Impact Statement with the State Land Use Commission:

"We are excited about taking this important step forward toward approval of the La'au Point project."

"We knew that the process would be long and not without challenges. However, we have said from the beginning we wanted this EIS to be the best. I am confident the document will meet all the criteria for approval (by the State Land Use Commission at its scheduled November 15 and 16 hearing on Molokai)."



December 2007: "At our recent Land Use Commission hearing on the La'au Point project (held November 15 and 16, 2007 on Molokai)....we withdrew our proposed Final Environmental Impact Statement"

"...we thought it best to withdraw it and submit at a later date"

"Implementation of the Master Plan is the only sure way that MPL can survive in its current form"



December, 2007 (Memo to employees): "By calendar year end (December 2007), we will need to reduce labor costs by at least 10% to fund the current delays in the Master Plan implementation (caused by Molokai Properties withdrawing its Final Environmental Impact Statement from acceptance consideration by the Land Use Commission)."

"If there are any further delays in the Master Plan Implementation, we will be forced to implement more drastic cost reduction measures which may include complete closure of the Kaupoa Camp, the golf course and the implementation of a plan to begin the sale of land"



January 2008 Draft Environmental Impact Statement release by Mr. Nicholas:

“This draft environmental impact statement and all ancillary documents were prepared under my direction or supervision and the information submitted, to the best of my knowledge , fully addresses document content requirement (required under state law)”

“My personal mission is to balance my company’s interest with the interests of the Molokai community.”

“I have complete authority to act for my company (MPL-Molokai Ranch) an the parent company (GuocoLeisure Limited).”



March 24, 2008 Press release from Mr. Nicholas:

Molokai Properties Limited is to shutdown its operations on Molokai at the end of March, and will lay-off more than 120 staff

on the island over the following 60 days.

“The decision (to shutdown) is purely a business one”

“We deeply regret to have taken this step as the main impact will be on our loyal employees”



In a memo Mr. Nicholas authorized be sent to MPL employees just a few months earlier (December 2007), employees were given assurances there would be no further layoffs, others than those the company planned for at the end of 2007, as long as there were no further delays incurred by MPL in the implementation of its Master Plan and La'au Point project.

THERE WERE NO “FURTHER DELAYS”, YET MR. NICHOLAS DECIDED TO PULL THE PLUG ON COMPANY EMPLOYEES AND THE MOLOKAI COMMUNITY.



IF MR. NICHOLAS HAS THE COURTESY TO SHOW UP AT THE JULY 15 PUC MEETING, HOPEFULLY THE PUC COMMISSIONERS WILL REQUEST MR. NICHOLAS TO EXPLAIN WHAT "FURTHER DELAY" , IF ANY, MPL INCURRED THAT CAUSED MPL TO MAKE THE BUSINESS DECISION TO SHUTDOWN ITS OPERATIONS.



March 25, 2008 the day after Mr. Nicholas issued a press release to the media in Hawaii: Linda Hoon, who works for Mr. Nicholas as Molokai Properties Limited's Secretary, was ordered to issue the following press release to GuocoLeisure shareholders (Mr. Nicholas a Vice President of GuocoLeisure as well as President of Molokai Properties) giving the shareholders assurances not to worry about the shutdown of MPL's operations on Molokai....not a big thing and their investment would not be effected financially.

PRESS RELEASE

Announcement on Cessation of Operations of Molokai Properties Limited

GuocoLeisure Limited ("the Company" or "GL") hereby issues the attached statement in relation to its wholly owned subsidiary, Molokai Properties Limited ("MPL") today.

The Company wishes to advise that MPL is to cease its tourism

and other operations on Molokai Island, Hawaii at the end of March.

As a result of the decision, MPL will be shutting down and land-banking the company's assets on its 60,000 plus acre property.

Presently, the aforementioned cessation of operations of MPL is not expected to have any significant financial impact on GL Group for the financial year ending 30th June 2008.

Information About Molokai Properties Limited

Molokai Properties Limited, a wholly owned subsidiary of GL, owns approximately 60,000 acres or 40% of the Hawaiian island of Molokai which is located between the islands of Oahu and Maui.

LINDA HOON

Conclusion: Mr. Nicholas explained his initial intent for the Ranch's Master Plan in a letter to the Molokai community as follows: "My personal mission is to balance my company's interest with the interests of the Molokai community."



It appears as though Mr. Nicholas has decided to implement a new

Master Plan for Molokai Ranch, one that sacrifices the company's employees and is geared to punish the Molokai community by blocking any attempt by the community to move forward on a proactive basis following Mr. Nicholas's decision to shutdown all operations.

END